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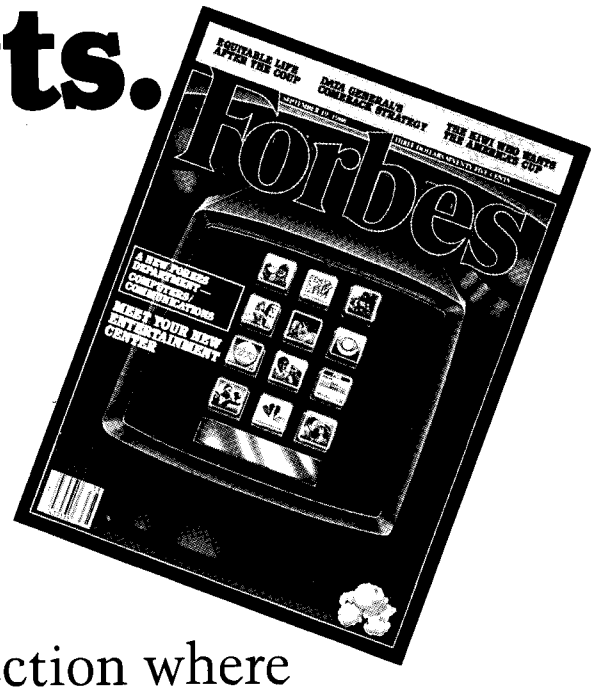

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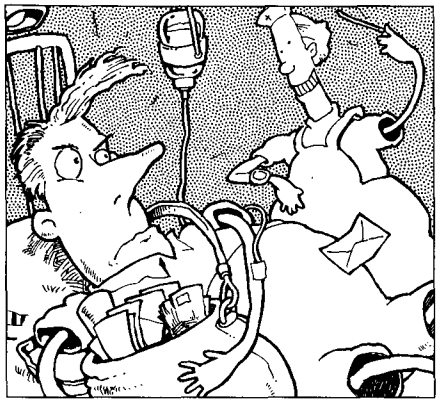

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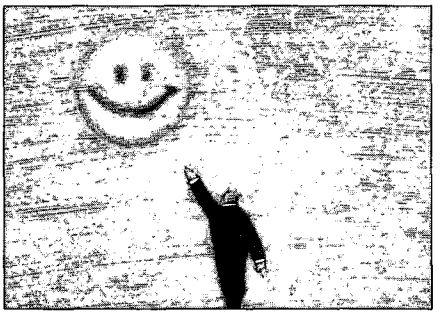

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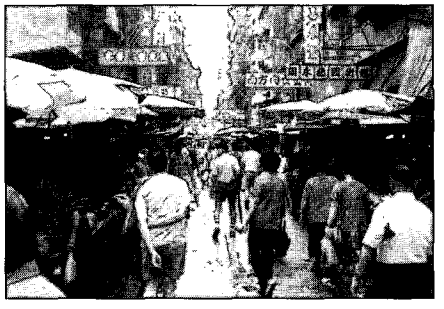

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LETTERS

Drug Debate Differences

Re: "America After Prohibition" (Oct.), here are my ratings: Ron Paul, A+; David Boaz, Milton Friedman, and Charles Paul Freund, A; Arnold S. Trebach, B+; Ernest van den Haag, B–; Ethan Nadelmann, C (government still in the thick of it); Norman E. Zinberg, D (it won't work); Georgette Bennett, F (current government–drug mafia shootout infinitely more desirable; you name an economic folly, she has it). The lesson? Libertarians beware. Some proponents of legalization mean to treat us not as sovereign individuals but with the same paternalistic care as an experimenter treats his guinea pigs—given enough dedication, the experiment ends with the animal's sacrifice.

Gurdip S. Sidhu, M.D.
Harrington Park, NJ

WITH THE MYRIAD of interesting economic and political problems facing America currently, I am at a loss to understand why REASON devoted eight pages of its October issue to legalizing drugs. Moreover, the so-called debate over drug legislation was a bit one-sided.

Frankly, it is a mystery to me why otherwise clear-headed, conservative minds turn so fuzzy when it comes to illicit drugs. The same people who would fight to preserve our free-enterprise system because it offers the greatest opportunity for individual realization promote slavery to debilitating drugs. Freedom to be entrapped in socially destructive pursuits is not true freedom.

All the arguments about reducing crime and all the analogies to prohibition do not present a convincing case about socializing currently illegal drugs. Indeed, the effects of socialized drinking in our society—tens of thousands killed on the highways, thousands of alcohol-related killings, and violent crimes—do not bode well for the legalization of substances that will further erode the moral fiber of our people. We cannot promote a great nation by promoting ever-declining standards of behavior.

Kenneth W. Chilton
Lake St. Louis, MO

I ADMIT TO BEING CONFUSED about drug legalization. My free-market instincts tell me that the government must be doing more harm than good when it criminalizes drugs. My law-and-order instincts tell me that the law has a teaching function, and some people need the sanction of law to learn right from wrong. However, the symposium on drug legalization in the October issue adds to my confusion rather than reducing it.

Some of the participants (Boaz, Friedman, Freund) come out for straightforward legalization. Treat cocaine and heroin just like aspirin, and sell them over the counter. While this argument ignores the way in which habit-forming drugs diminish the free will of the addict, it has the virtue of consistency.

Zinberg's essay, by contrast, calls for what amounts to a welfare program for psychiatrists and social workers. Yes, decriminalize, but first we'll educate the hell out of everyone, both addicts and nonaddicts. The real tipoff is Zinberg's support for free needles. Leftists seem to believe that the government simply must be involved with needles, either prohibiting them or subsidizing them. Why not just deregulate them and let the market operate?

Bennett's essay would be laughable were it not so serious. Decriminalize, but switch "from a system of criminal sanctions to one of administrative regulations with civil penalties," while nationalizing the production and wholesaling of drugs. Sorry, lady, but we know all about those "administrative regulations" and the petty bureaucrats who administer them. Drug users would become as overregulated as are today's welfare recipients. And I'm certainly not going to trust a government that can't manage to deliver the mail to monopolize the distribution of drugs. It would become an open invitation to black

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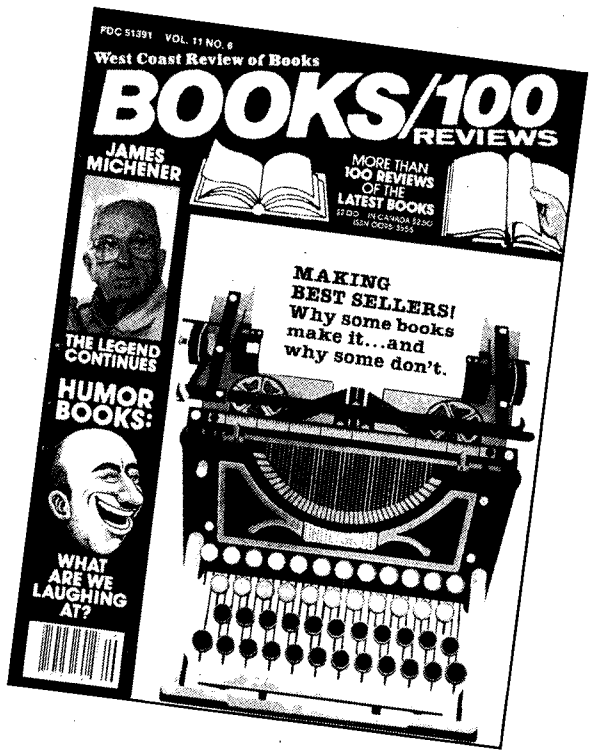
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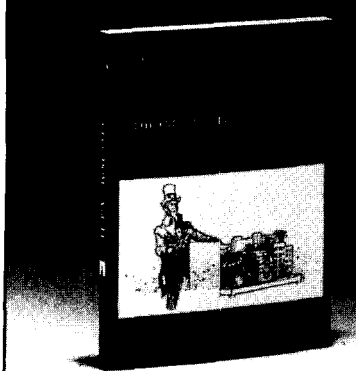

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LETTERS

marketing and a repeat of everything that's wrong with the present system.

Ultimately, I have to agree with van den Haag. There is no good answer. The free market may simply be the least bad answer.

Joseph P. Martino
Sidney, OH

THERE ARE AMAZING similarities between the war in Vietnam and the "war on drugs": an invisible, evasive, but highly motivated enemy; low morale among the soldiers; futility of the war ever more evident; growing doubts about its morality; much faith in technology, but it cannot win the war; widespread corruption among soldiers; no clear plan and objectives; big division in the country about the war. Our leaders have not learned the lessons of the Vietnam experience.

Boris Illade
Austin, TX

Maggie: Idol, Not Ideal

Robert Poole's gushing editorial "Maggie for President" (Oct.) was offensive. It reminded me of the 1930s articles lauding the German "miracle."

While I suppose Thatcher's pragmatic embrace of the free market saves her from the label of *totalitarian*, she remains an authoritarian who has confiscated privately owned firearms and who advocates the persecution of individual drug users. If the secret of her success is "moral vision," I'm not sure I want to be around to see the culmination of that vision..

Free-market theory may prosper on its own merits and accomplishments for a time, but it needs individual liberty to survive. It will only suffer if we try to manufacture heroes (or heroines) out of whole cloth.

Andrew E. Barniskis
Levittown, PA

MRS. THATCHER HAS MADE it a criminal offense for anyone to advocate homosexual activity, and she has moved to tighten restrictions on pornography in general. She is a foe of freedom in this area. Your editorial could have acknowledged this inconsistency of hers and complained about it, at least as an aside. You didn't do that,

gell and Hollings certainly helped entrench the two major parties at the expense of all third-party candidates who were cordially not invited to the debates. NBC News Executive Vice-president Tim Russert, trying to hide the puppet strings, announced that his company made its decision on principle. About the persuasion from Democratic bigwigs, he said (perhaps without choosing his words too wisely), "I wouldn't put too much emphasis on those calls. They call us on everything." They do, huh?

FCC Chairman Dennis Patrick, a Republican, has done a good job (relatively speaking) of defending broadcasters' freedom, with admirable help from the other two commissioners, both Democrats. He might have accomplished more if the Senate had not refused to confirm Reagan's two appointees to the five-member commission. But appointing commissioners who respect the right of free speech is not the answer. Congress can taketh away what the FCC giveth. Broadcasters will not be free from the threat of Pavlovian conditioning by Congress until the Supreme Court recognizes their right to the same First Amendment protection afforded print journalists.

Not long ago, a man walked onto the set of a local news show in Los Angeles in the middle of a broadcast. He pointed a gun at one of the newscasters and told him what to read. When I first heard about it, I thought it might be another member of Congress getting into broadcast regulation. But of course that's ridiculous. Congress has more subtle and powerful techniques.

BY THE WAY...

■ The Great Welfare Reform of 1988 has passed. Americans may look back on it someday as our own *perestroika*—an attempt to remedy one web of government programs with another. Does anyone really believe that Gorbachev can achieve prosperity for the people of his country by moving the bricks around the windows on the 15th story? The socialist *foundation* of the system is what needs reordering. Likewise, as a few courageous souls such as Charles Murray are saying, it is the premises of the welfare state that explain the Great Society's dismal results. But while Rome burns Nero fiddles. Reagan took this one to the Rose Garden.

■ Now that Iraq and Iran have settled their differences, foreign policy experts and media people are overcome with concern about the use of chemical weapons by both sides. Meanwhile, however, not a whisper of outrage over the charge, by the highly respected *Jane's Defense Weekly*, that Cuba has been using a lethal mixture of Soviet-supplied mustard gas and nerve gases against guerrilla forces fighting Angola's Marxist government. Is it that the foreign policy establishment doesn't want to jeopardize the delicate U.S.–South African–Angolan negotiations (over the rebels' heads) to try to end over 20 years of civil war in Angola? Is it squeamishness about criticizing a Soviet client state? Sometimes "paranoid fantasies" become understandable. r

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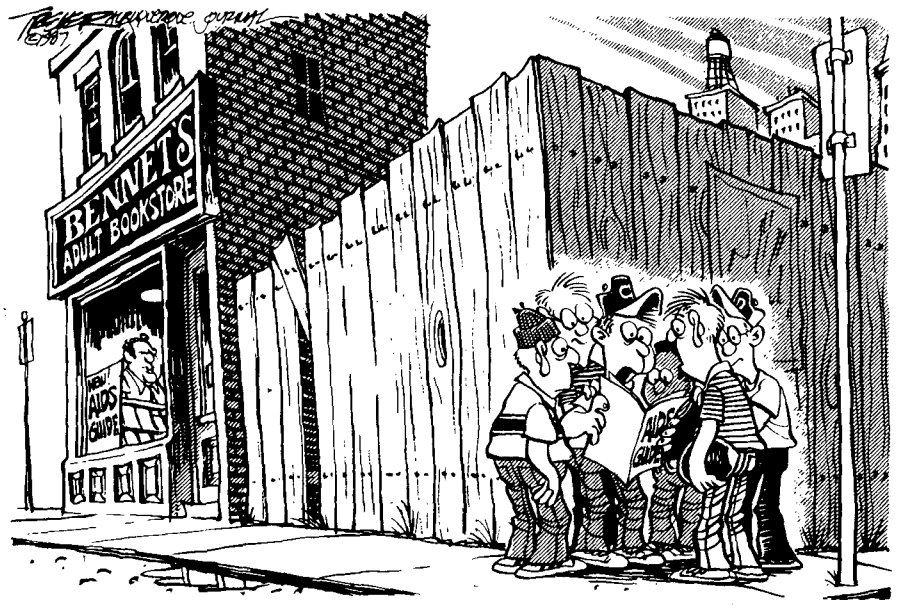
BRICKBATS

Runner Ben Johnson lost his Olympic gold medal to a drug test. Swimmer Mary T. Meagher lost hers to the U.S. Postal Service. In July, Wheaties asked Meagher to pose for a cereal box wearing two of the three golds she won in the '84 games. She asked her parents to send the medals to the photo studio. Mom and Dad trusted the Postal Service's Express Mail ("When we say overnight, we mean overnight"), and the medals never arrived. "At first I thought they would show up," says Meagher. "Now I know they won't."

You could die of thirst before figuring out how to get a drink in Utah. And that's *after* the drinking laws have been modernized. Before this year, restaurant customers had to brown-bag it or buy airline-sized little bottles from a state-owned kiosk. But now times have changed. Under the new law, waitresses can't ask whether you want a cocktail. You have to ask. You can't drink if you don't order something to eat. And you can't drink in the restaurant bar at all—the law prohibits drinking near where liquor is dispensed. The rules go on and on. One restaurant owner speculates, "It makes you think there are some guys who get together in a back room and say, 'Let's think up some real weird ones this time.' "

Utah also has a new slogan: "A pretty great state." We aren't making this up (although we did leave out a comma).

Singapore women are just too picky, says their government. They want to marry someone better-educated, wealthier, and taller than they are—or they'll stay single. Meanwhile the guys are marrying down, diluting the gene pool. "If you want to produce geniuses, you have to get the graduate man to marry a graduate girl," says Helen Wang, director of the government's new matchmaking service. "You cannot look for Mr. Right or Mr. Perfect. So we ask our women to play softer, to play a little dumb if possible." After a "two is enough" family planning campiagn that succeeded all too well, the government is also encouraging young people to date more and study less—in hopes of producing earlier marriages and more kids. It has even put out a booklet of "nutty ideas" for dates. Some examples: "playing Scrabble on the beach armed with a dictionary and a thesaurus" and planning "how to kill your parents with kindness by being punctual for meals and doing the washing up afterward."



"1. TAKE OFF CLOTHES... 2. STEP INTO SHOWER... 3. TURN ON COLD WATER... 4. STAY THERE UNTIL MARRIED.... THAT'S IT?

It may be a long hot summer next year for the children of Schaumburg, Illinois. In the name of public safety, town trustees want to ban ice cream trucks from the streets. They worry that kids love ice cream so much they'll run into the road without looking both ways when they see the Good Humor truck and hear the jingling bells. No accidents have occurred to spur the action, and ice cream vendors are afraid they'll be put out of business. Says 11-year-old Kons Muhtaris between licks of his Firecracker treat: "I think they should keep letting the ice cream truck come by. I'd be sad if it stopped."

Cities use zoning to keep out all sorts of "undesirables." Now San Francisco has added architects to the list. City planners want to permanently ban architecture offices from certain areas south of Market Street. They claim architects are too affluent and would drive up the rents of other tenants. Some kinds of job discrimination are apparently fine for the city by the bay.

Employees at the Environmental Protection Agency in Washington are coming down with weird cases of nausea, dizziness, sore throats, and skin rashes—only to have their symptoms vanish on the weekends. No, they aren't faking it to get out of work. It seems EPA headquarters was designed to conserve energy. You can't open any of the windows, and the building doesn't breathe. "Indoor pollution" is making people sick.

—Mark Edward Crane

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To Err Is...

Although more than 300 personal injury lawsuits have been filed by smokers against cigarette companies since 1954, the companies had not lost until this year. Now three of the six jurors in that case say they were wrong to decide as they did.

They say they were worn down by five days of intense discussions with two other jurors who seemed determined to find the tobacco companies guilty. One of three now having second thoughts, Ralph Eliseo, said, "There are nights I [lie] awake wondering, 'Did I do something wrong that's going to affect mankind for years?' "

Such inconsistency is no surprise to legal experts. Faced with thousands of personal injury claims over asbestos, lawyers for the Johns-Manville Corp. staged a series of trials, presenting the same evidence to several mock juries. Verdicts ranged from no liability at all to huge damage awards.

Is the problem, as lawyers sometimes snicker, that complex cases must be decided by people not even smart enough to get out of jury duty? In his new book, *Liability*, Peter Huber of the Manhattan Institute argues that most of today's personal injury cases do not belong in court in the first place. Once, the seller of a product would have been liable to a purchaser who got injured only if the bargain between the parties spelled out that liability. In any lawsuit, the question for the jury would simply have been, What were the terms of the contract?

Thanks to radical expansions of tort law by judicial fiat, however, juries are now called upon to renegotiate private contracts after the fact to help one of the parties. A jury can hold the seller of a product liable for the purchaser's injuries—even if there was no negligence involved—if the jury decides that the product wasn't designed or built "safely." Of course, no product is perfectly safe under all conditions and for all uses.

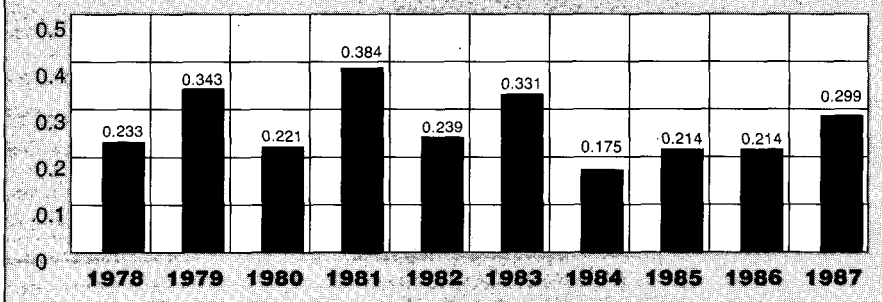
This legal policy, which essentially forces all product makers to sell insurance along with their goods (by increasing the price to cover their risks of liability), is having some unfortunate consequences. It keeps untold products off the market (the "CJ" Jeep, for example, or certain contraceptives declared safe and effective by the FDA), it increases the cost of others (it adds more, for example, to the cost of a football helmet than the cost of making it), and curtails such popular activities as Little League, fireworks displays, and amusement park rides.

Also, the new liability law depends entirely on the inherently unreliable jury system. Huber explains the irony in thinking that people can make decisions in a jury box—about the health risk of smoking, the safety of automobile design, the dangers of various contraceptive devices, and similar topics—that they are incapable of making for themselves in the marketplace. This, he says, is the theory of the "idiot/genius, incapable of dealing with the objects that lay within his own experience, but infinitely capable of errorless flash judgment when it came to the experience of others."

—Craig M. Collins

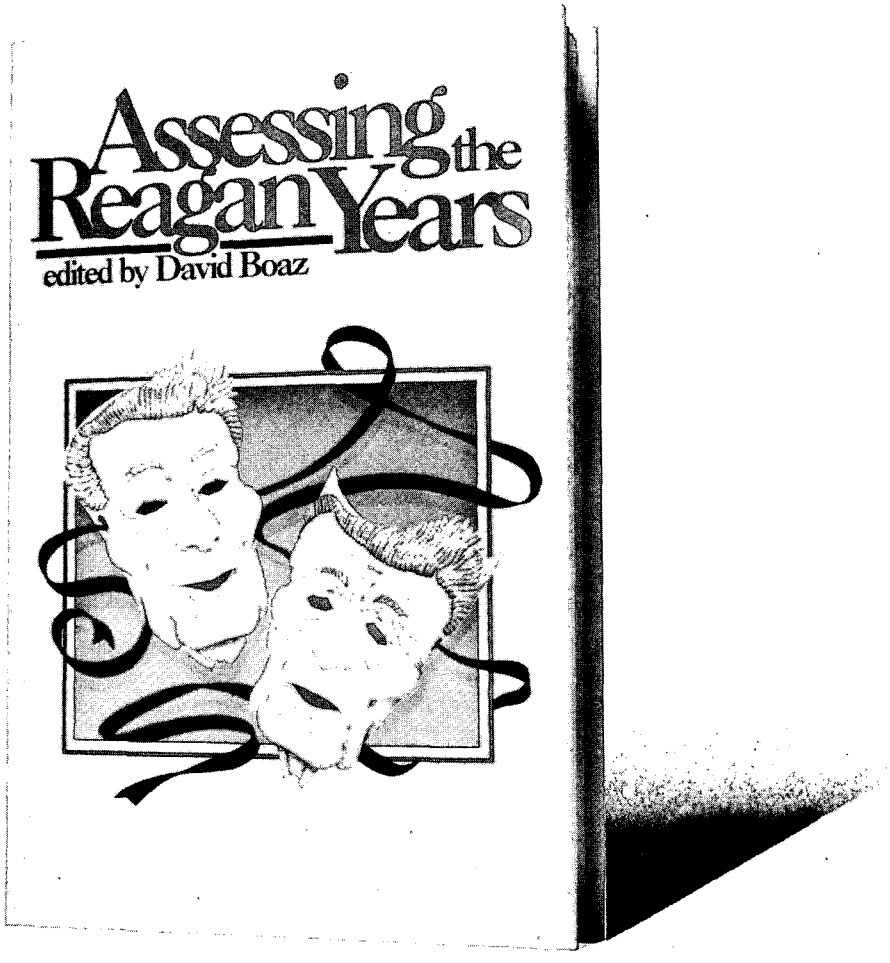
Fear of Flying

Deregulation has made the U.S. airline system ! right? Wrong! Despite a 40 percent increase in cial departures since deregulation in 1978, the airli is as safe as it has ever been. National Transportation Safety Board figures show that accident rates have remained about the same over the last decade, with minor fluctuations from year to year.



Airline accidents per 100,000 flight hours

The Reagan Revolution. Revisited.



Was there a Reagan Revolution?
If not, why and where did it fail? If so, will it have lasting effects?

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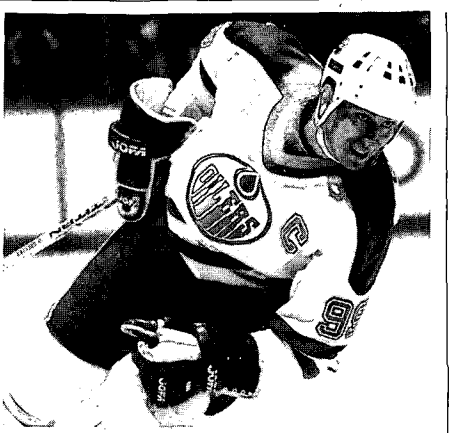
Free Trade: It Takes Two

Free trade is busting out all over, or at least the idea is. Debate over the U.S.-Canada Free Trade Agreement has ignited interest in Washington in bilateral trade agreements with other nations.

By eliminating almost all trade barriers between the two countries, the U.S.-Canada pact will lead to a $25-billion increase in trading volume over five years, the Commerce Department estimates. This increased trade could raise U.S. GNP by up to $45 billion, or about 1 percent, projects the Institute for International Economics, a Washington-based research group. That averages out to $740 for a family of four. The Commerce Department estimates that increased trade will create more than 14,000 new jobs in U.S. exporting industries alone; Canada's Ministry of Finance foresees some 120,000 total new jobs in that country, where GNP may rise by 2-5 percent.



Wayne Gretzky: *With the free-trade agreement, he won't be the only Canadian product in Los Angeles.*

Impressed by all this good news, U.S. lawmakers have begun to discuss similar agreements with other nations. The Senate Finance Committee recently asked the International Trade Commission to study the effects of a free-trade agreement with Japan. The Republican platform calls for a pact with Japan, as well as agreements with Taiwan and South Korea. Some western congressmen are even talking of creating a North American free-trade zone by striking a free-trade deal with Mexico.

Bilateral agreements are a dramatic change in the government's approach to international trade. For the last 40 years, most trade negotiations have taken place under the auspices of the General Agreement on Tariffs and Trade (GATT), a multilateral treaty that seeks to reduce trade barriers among nations.

"But in the last decade, people have become frustrated with the GATT approach, where you can move ahead only if everyone else does," says Jerome Ellig, an economist with Citizens for a Sound Economy. "Bilateral negotiations overcome this problem."

Currently, Israel is the only country besides Canada to have negotiated a free-trade pact with the United States. Although interest in more deals is high, Ellig warns that "negotiating the agreement with Canada took years. It'll be a long time before there's any more legislation."

—Charles Oliver

FIRST TIME IN ENGLISH

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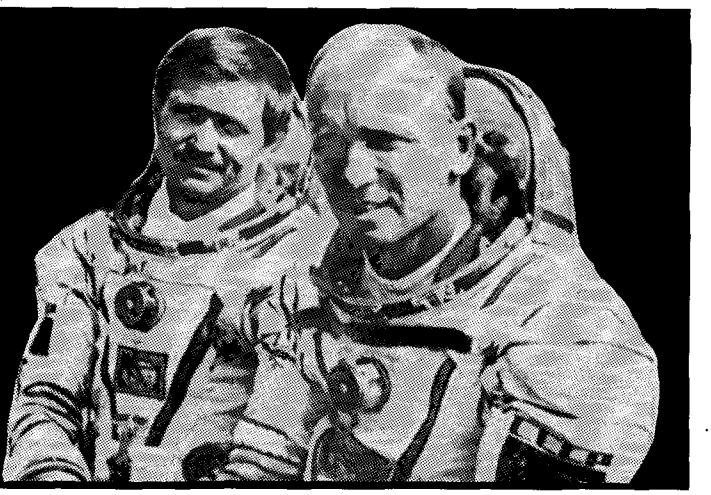
211 Days in Space (Salyut-7)

By V. Lebedev



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Scores Only a Golfer Could Love

Support for free-market principles waned slightly during the first session of the 100th Congress, an index compiled by the Competitive Enterprise Institute shows. Senators supported the free market 41 percent of the time in 1987, down from 50 percent in 1985-86. In the House, representatives voted for the free market 35 percent of the time in 1987, after a 40 percent score the year before.

The study includes 78 Senate and 93 House votes judged to have significant impact on economic competition, freedom, and opportunity. By "procompetitive" votes, CEI means votes for free trade, deregulation, termination or reduction of subsidies, lower tax rates, increased consumer choice, privatization, and other cutbacks of federal meddling in the marketplace.

For the third year in a row, Phil Gramm tops the Senate ratings with a 91 percent. Other high scorers include Republicans William Armstrong (91) and Gordon Humphrey (89). Notable Senate scores include Minority Leader Robert Dole (67), Republican vice presidential candidate Dan Quayle (75)—and compare his Democratic opponent, Lloyd Bentsen, at 33.

The lowest scores are Democrats Al Gore (14), Barbara Mikulski (13), John Glenn (13), and Dukakis pal Paul Sarbanes (10). Overall, Senate Democrats averaged a 24, down from a previous score of 32, while Republicans averaged a 60, down from a previous score of 66.

In the House, Jack Kemp posted the high score of 96, though he participated in only 27 of the votes rated. Kemp's score, CEI's newsletter suggests, proves "that running for president either increases one's support of the free market or makes one selective in casting votes."

Kemp is followed by Dick Armey (95) and Phil Crane (94). Notable House scores include Minority Leader Bob Michel (86), Minority Whip Trent Lott (71), Pat Schroeder (18), Majority Leader Tom Foley (13), and Richard Gephardt (8).

With a perfect 0, House Speaker Jim Wright joins Robert Roe at dead last, edging out John Conyers, who managed a 1. House Republicans averaged a 35, down from a previous score of 40, while the Democrats' average plummeted to 13 from last year's 22.

—*John Hood*

For Your Information

Groups or individuals mentioned in this month's Trends:

■ ***Trade Pacts***
Citizens for a Sound Economy
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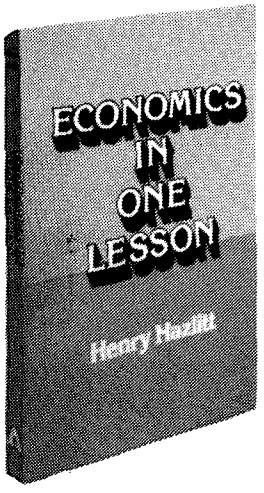

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—H.L. MENCKEN

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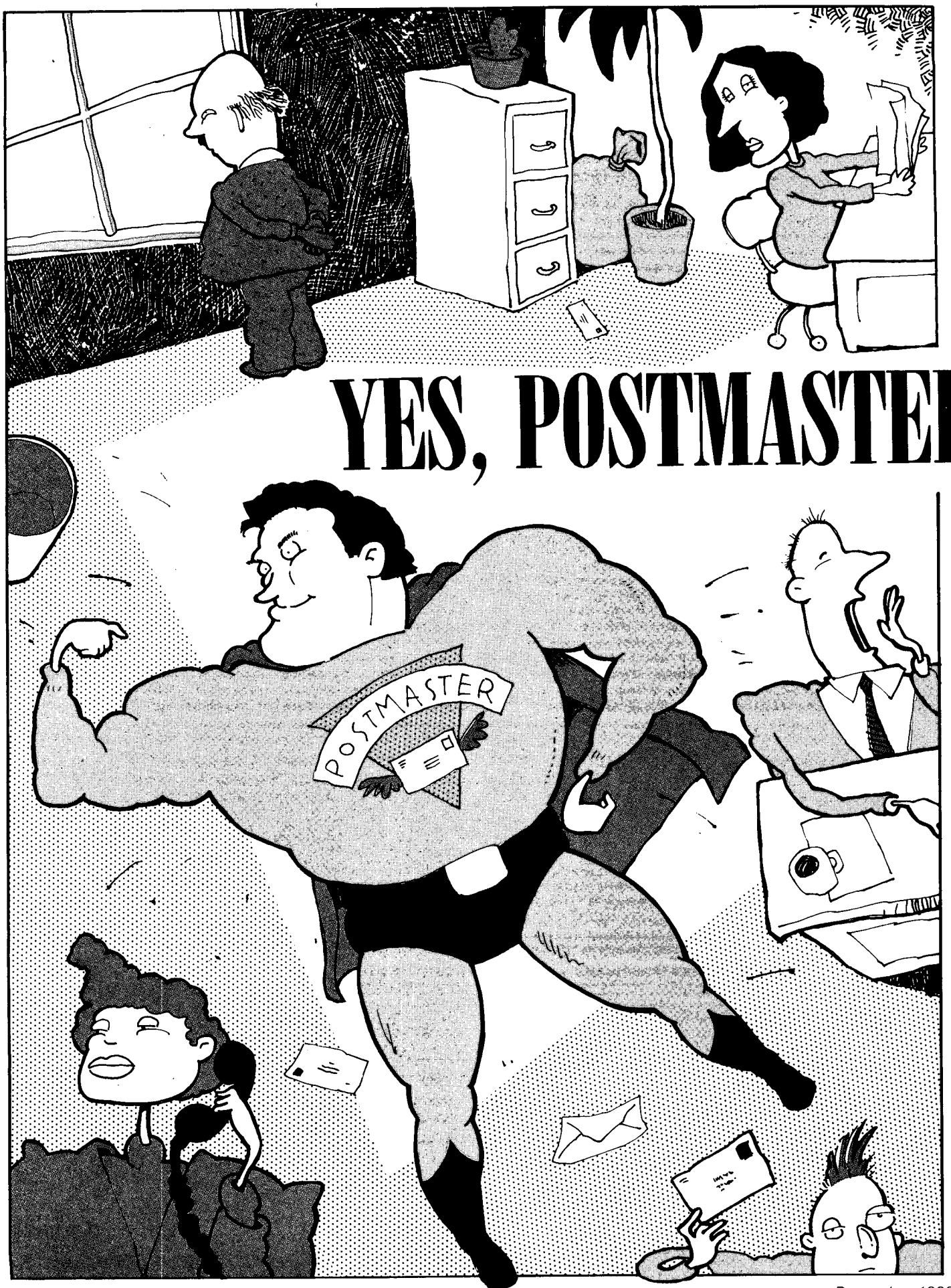

YES, POSTMASTER
POSTMASTER
CHARLES PEALE

A private-sector superstar comes to GENERAL the Postal Service with all the right instincts, but his managers are well-entrenched, with all the wrong incentives.

BY JOHN CRUTCHER

To some observers, it must appear that New York Yankees owner George Steinbrenner is running the U.S. Postal Service. We have had five postmasters general in the past four years. The last three left within a year of taking office. In March, a new CEO took the reins at the Postal Service, after having built First Nationwide in California into the country's sixth-largest savings institution. Let's consider the situation that Anthony Frank faces now that he has left the banks of California for the banks of the Potomac.

Our new postmaster general shows more promise than any I've known in the six years I have been on the Postal Rate Commission. He is a serious person and has taken this most difficult and unrewarding job for a very serious reason. He promises, with the help of other successful business people such as H. Ross Perot, to significantly improve the efficiency of the Postal Service.

But boosting efficiency means improving service and reducing costs. And the prospects are bleak. The Postal Service is not only a monopoly in all its important markets but is also a government bureaucracy. These two stark facts are like an enormous ball and chain around each of Postmaster General Frank's legs. Either one alone would make it difficult to become more efficient; together they make it almost impossible. The fault with the Postal Service is not with the caliber of its leadership; it is with the institutional set-up.

The Postal Service lacks the profit motive that disciplines our commercial economy. Perhaps even more important is the lack of real accountability. There is no scrutiny by postal stockholders protecting their interests and no threat of a hostile takeover if management doesn't perform. The Board of Governors is intended only to review the most general policies of the service. The board has no staff and is not equipped to hold management accountable, nor does it have an incentive to do so.

Congress has been unwilling or incapable, or both, to find out what is really going on within the postal system, let alone to hold it accountable. Nor is the Postal Service accountable to the president, and that's the way every administration, since reorganization in 1970, has wanted it. Finally, the Postal Service is not accountable to the Postal Rate Commission. The courts have made it abundantly clear that the commission's role in postal finances is extremely limited. The commission can only rule on Postal Service rate requests.

In this situation, with no profit motive or real accountability, the institution's incentive is only to be efficient enough that neither Congress nor the president takes the drastic step of putting the Postal Service back into the government proper. Frank's attempts to improve efficiency cannot make much difference—unless, of course, he is willing to change the institutional set-up.

Suppose, for example, that Postmaster General Frank wants to increase efficiency by improving service. He must first have a reliable measure of its quality. By now, he probably has had an earful of complaints from customers. How is he to know whether they are legitimate, or merely cranky outbursts unrelated to everyday circumstances?

He will, no doubt, turn to the Postal Service's nearly 20-year-old service measurement system. His new subordinates will shower him with glowing statistics demonstrating that his customers and the marketplace are wrong. But the postmaster general should know that the meas-

It is never too soon to get tough. I decided to start in the Department the way I meant to continue. "Bernard," I said firmly, "*this* government governs. It does not just preside like our predecessors did. When a nation's been going downhill you need someone to get into the driving seat, and put his foot on the accelerator."

"I think perhaps you mean the brake, Minister," said Bernard.

—From THE COMPLETE YES MINISTER (Salem House, 1987), the humorous fictional diary of a new British cabinet minister trying to overhaul a government agency with the "help" of his chief assistant and nemesis, civil service lifer Sir Humphrey.

urement system is unreliable.

It is easily manipulated. Those in postal management have reason to manipulate it, because it is used in performance evaluations. And in fact the Postal Service's inspection service has found it to be manipulated in several offices. Advance notice is given before data are collected—enough notice to move overripe mail out of the way. Since the system samples every *n*th piece of mail, it is easy to take the 11th piece, rather than the 10th, when the latter is a piece that has been delayed.

Would Frank's old company, Ford Motor, be willing to rely on such a self-serving system? Not since the Japanese have come. Unfortunately, postal management does not have the equivalent of Japanese competition to spur it on.

Management's constant citing of the measurement system to prove that service is fine is just as misleading as its old practice of touting gross productivity figures to prove that productivity growth was fine. Those figures, which simply calculated total pieces per person-year, failed to account for volume growth and fixed costs, worksharing by postal customers (such as presorting of bulk mail), and changes in the proportion of different mail shapes.

Postal management's reluctance to measure performance accurately is understandable—what the public doesn't know about the postal system can't hurt postal managers. Today those managers feel the same way about service measurement as they did about productivity measurement. The institutional set-up ordains it.

When the service measurement system was introduced in the 1960s, by the way, the Postal Service had about three-fourths of the total small-package business. Today, parcel post volume has dropped to less than 150 million pieces annually, while United Parcel Service (UPS) has captured over 90 percent of the market, handling some two billion small parcels a year.

How did UPS manage to steal the Postal Service's bacon? Through plain old efficiency. UPS enjoys a preeminent position in the small-parcel market because it provides superior service at lower cost. And even with lower prices, it makes a hefty profit every year. UPS out-performed the Postal Service right from the start, even when the Postal Service was the colossus of the small-parcel business. If economies of scale exist for the Postal Service, and I believe they do, they were squandered by internal inefficiency.

"Humphrey, in your evidence to the Think-Tank, are you going to support my view that the Civil Service is overmanned and feather-bedded or not? Yes or no! Straight answer!"

"...Minister, if I am pressed for a straight answer I shall say that, as far as we can see, looking at it by and large, taking one thing with another, in terms of the average of departments, then in the last analysis it is probably true to say that, at the end of the day, you would find, in general terms that, not to put too fine a point on it, there really was not very much in it one way or the other."

While I was still reeling from this, he added, no doubt for further clarification, "As far as one can see, at this stage."

The Postal Service could be more efficient. It would have to stop increasing the price it pays for inputs (primarily labor) faster than the rate of inflation, and it would have to use those inputs more effectively. Though the new postmaster general is surely aware that these offer his only route to major improvements, it is less clear that this road can be traveled very far.

Postal customers have suffered distressingly regular rate increases in recent years because the Postal Service's costs are out of control. The service has been taking a beating at the bargaining table with its five postal unions for 15 years. Eighty-three percent of Postal Service costs are wage-related, and bargaining failure sends costs skyrocketing.

Congress intended for postal wages to be comparable with those in the private sector. The federal legal code is straightforward and unambiguous: "It shall be the policy of the Postal Service to maintain compensation and benefits for all officers and employees on a standard of comparability to the compensation and benefits paid for comparable levels of work in the private sector of the economy." In reality, postal wages are comparable to those of the highest-paid workers in manufacturing: those in auto, steel, and mining enterprises.

Using current statistics on labor costs, the Postal Rate Commission calculates that average annual compensation is just over $42,000 a year, including benefits. The Postal Service, starting from the same point but making different assumptions, figures the average to be about $36,000. In either event, the average hourly cost of the pay package including benefits, a figure that both the Postal Service and Postal Rate Commission staff agree upon, is now more than $20 per hour.

Neither the Postal Service's figure nor the Postal Rate Commission's estimate includes the full cost of retirement benefits, much of which is subsidized by taxes. Amazingly, no one has ever quantified the value to the individual retiree of this additional benefit or measured accurately the cost to federal taxpayers.

But the postal unions should not be blamed for escalating wages. They are simply doing their best to get the most they can for their members. It is management that must bear a far greater share of the responsibility. Management has a great disincentive to control labor costs, because after each major contract is negotiated, almost all management salaries rise by a related percentage. It is difficult to think of another system where management's rewards are scaled not to savings achieved by tough bargaining, but to savings lost. And since postal managers have government-enforced monopoly power, they can pass on these costs to customers.

Can the new postmaster general use this high-cost labor input more effectively? The prospects are equally dim, for management has not only bargained away the farm; it has bargained away the mule, as well. Work rules are among the most restrictive in our economy. No more than 10 percent of the employees can be part-timers or temporaries. In contrast, at UPS most sorting clerks are part-timers.

The wage and work-rule problems may prove to be insoluble via conventional means. The Postal Reorganization Act mandates arbitration if no labor agreement can be reached. Given the way arbitration typically works in this country, an arbitrator will likely split the difference when the two sides fail to agree. So Frank is not likely to make much progress when he sits down at the next bargaining round with the unions in 1990, unless he can come up with a new chip or two.

While the postmaster general may be discouraged by his prospects for even making a dent in the pay and work-rule problems, he might be somewhat sanguine about improving postal management

and increasing productivity if he uses what are recognized to be his considerable management skills.

Again, however, for institutional reasons, senior management really has no interest in change. Its members already are at the pinnacle of power in their organization. There are no stock options. Bonuses are awarded on a round-robin system. Salary growth is severely limited by congressional ceilings. Private industry never hires senior postal management. Upsetting the established relationship with the labor unions risks confrontation with Congress that could unglue the postal reorganization that gave the few men who make up senior postal management the great power they now enjoy.

It is because they are reluctant to upset the status quo that senior management has failed to devise a system for comparing productivity between branches. Years ago, in the bad old days prior to postal reorganization, there was such a system. It survived reorganization and even was automated. But when the system was actually used for performance appraisals, senior management grew to loathe it. Widespread cheating occurred, and finally the system was dismantled in 1975.

Contemplate for a moment what this means. Individual branches all tackle about the same job: they sell stamps and process and deliver mail. By their nature they are amenable to comparison. These comparisons can be used to reward management talent and to pass innovations along through the system. Of course, mindless comparisons must be avoided. St. Louis, for example, may have fewer expensive commercial deliveries than Philadelphia. But surely postal management could learn to make good use of interbranch statistical comparisons. Imagine Ford Motor Co. not keeping interplant productivity statistics. But no, the Postal Service's senior management felt that major post offices are not comparable and that local branches could not be prevented from manipulating the statistics. This lack of an interoffice productivity measurement system is a stark indication of the institutional aversion to change that Frank faces.

A postmaster general chosen from the ranks of private business is a lone individual. He doesn't know the mail business. He comes on the scene with few genuine allies. Every senior postal manager knows that in three or four years Postmaster General Frank will be a former postmaster general. If they can hunker down and avoid making a big mistake, they will survive his energetic spurts of reform. He will soon learn that he is an outsider in a world of insiders.

> I asked about Rhodes's proposal for saving money on stationery orders. Why hadn't we accepted it?
>
> "Minister," said Humphrey vehemently, "that man was a troublemaker. A crank. He had an unhealthy obsession about efficiency and economy."
>
> "But why didn't we adopt his proposal? It would have saved millions of pounds."
>
> "It would have meant a lot of work to implement it."
>
> "So?"
>
> "Taking a lot more staff."
>
> This argument was manifest nonsense. I told him so. He seemed unbothered.
>
> "Disprove it," he challenged me.
>
> "I can't, obviously."
>
> "Exactly," he replied smugly.

This is not to say that it would be better to hire an insider. It is not clear that *anyone* can really improve the system. The magnitude of the job plus the twin weights of monopoly and bureaucracy make significant movement nearly impossible.

What is to be done? I suggest that the structure of the institution must be changed.

Although John Naisbitt of *Megatrends* fame may be a trifle optimistic in observing that "privatization is sweeping the country," there is abundant evidence that it is an idea whose time has come. With respect to the Postal Service itself, competing proposals for privatization have been put forth during the last few years. The central element linking all of them is repeal of the private express statutes, which prevent competition in the delivery of first-class mail.

All of the various proposals have potential merit from a purely economic standpoint, but they are simply impossible for political reasons. Each of them requires affirmative congressional action, and Congress shows almost no interest in enacting such fundamental changes: the five postal unions and postal management organizations oppose it vehemently. Postal Service employment has grown 22 percent in the last five years; total employment now exceeds that in any federal agency except the Defense Department. With this army of interested constituents quartered in every congressional district in the country, I doubt that you could get 12 out of the 435 members of the House or a half dozen senators to put their names to a bill repealing the private express statutes.

Frank was already taught a stern lesson about these political constraints when he made the bold move of signing a consulting contract with Texas entrepreneur H. Ross Perot: It must have sounded simple enough to a businessman like Frank: hire Perot, a renowned expert on automating manual tasks with computer systems, to study the postal system. As an incentive, give him a percentage of any cost savings he could effect. Everybody wins, right?

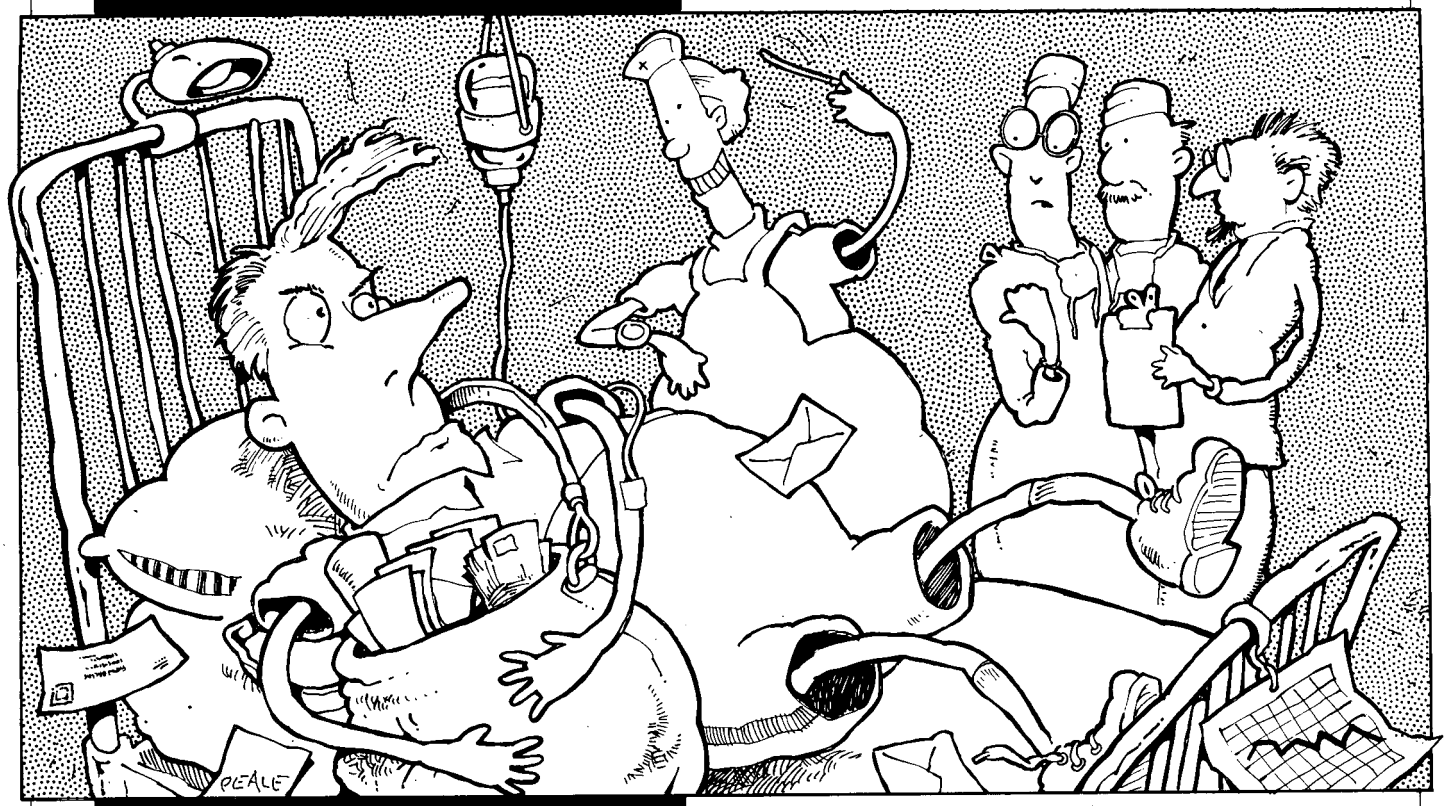
But Congress quickly decided it should have something to say about how the service could be made more efficient. In the face of congressional objections that the contract was awarded without competitive bidding, it was voided. A federal appeals court upheld the deal, but to placate Congress, Frank agreed not to split cost savings with Perot.

So my assessment is that it will be impossible to win repeal of the private express statutes. Short of that, however, there is much that can be done by way of contracting out some of the functions now performed internally by career Postal Service employees. This kind of privatization has great potential for improving Postal Service efficiency and reducing overall costs.

There is a major, growing role for privatization throughout our nation's government. Clearly, the American public demands many services, including postal services. At the same time, they want them performed honestly and efficiently with a minimum of cost. They don't really care whether the services are delivered by public or private employees. But they are outraged when costs are unreasonable and when those responsible display a business-as-usual attitude rather than looking for ways to improve.

The Postal Service will not be able to avoid that outrage forever. Changes will come, Anthony Frank or no, the unions or no, the private express statutes or no. Let the debate go on, then. ◻

John Crutcher is a member of the Postal Rate Commission. This article is adapted from an address at a Reason Foundation Forum in Los Angeles.



Private Cures FOR Postal Ills

A government bypass is the remedy. The argument now is how to prepare the patient for surgery.

BY DOUG BANDOW

Monopolies tend to exhibit a number of unattractive characteristics, and the U.S. Postal Service (USPS) is no exception: Its prices exceed market levels, having risen 367 percent between 1970 and 1987, well above the corresponding increase in the consumer price index. Its labor costs—with annual compensation for postal workers running a generous $42,000—are excessive, as much as 50 percent above comparable private-sector wages. Its service is poor, downgraded further this year when the system dropped Sunday sorting and reduced window hours even as the new rate hike was going into effect.

And as a public monopoly, in contrast to a private monopoly sheltered by government, the USPS suffers from another serious defect—it loses money, as much as $400 million this year. This despite federal subsidies of roughly $3 billion a year, estimates the Office of Management and Budget (OMB).

Yet even with its monopoly status—protected by Uncle Sam's threat to pros-

CHARLES PEALE

Commission on Privatization noted in its 1988 report, they may sacrifice efficiencies by imposing an arbitrary structure on the postal business. For its part, the commission recommended that "although employee ownership should be encouraged, the specifics of how the Postal Service should be turned over to the private sector should be developed as part of the gradual phase-in of privatization, with substantial employee participation."

The commission also strongly supported the eventual repeal of the private express statutes: "the benefits in terms of quality of service, cost-efficiency, and the incentives for innovation clearly outweigh the costs of the transition to a free market." It proposed full privatization of the USPS over the long-term.

In keeping with its gradual approach, however, the commission recommended that obstacles to private delivery be phased out over time—not ended all at once. For starters, it urged immediate elimination of restrictions on delivery of third-class mail and on rural delivery (categories that the Postal Service complains about handling). And it advocated loosening restrictions on urgent mail and lifting the ban on private use of private mail boxes.

For better or worse, not all privatization proposals are as complicated as Adie's and Stephen Moore's. Private consultant Bert Ely proposes selling stock in the USPS to its employees at a reduced price to buy off their pension rights and the wage premiums they now earn. He would then repeal the private express statutes, allowing competition with the newly private post office; he believes the system is a "natural monopoly" and that a private USPS would hold its own in the marketplace.

CEA member Thomas Gale Moore has suggested simply *giving* the USPS to its employees. Moore would transfer to the workers half of the Postal Service's equity, selling the rest to the public through stock offerings. The employee-owners would be allowed to operate the system as a monopoly for five years, with price hikes limited to the inflation rate. During this time, employees could only transfer their shares to other postal workers and, as owners, they would pocket any savings they achieved.

Once the five-year monopoly expired, the private express statutes would be repealed, the USPS would face private competition, and postal workers would be free to sell their shares on the open market. Moore's plan would encourage efficiency, since, he explains, "the value of the postal workers' shares in USPS would depend on how well they had prepared their company" to meet the challenge of private competitors.

Former OMB Director Miller has proposed what is probably the simplest program of all—repealing the private express statutes, eliminating restrictions on the use of mailboxes, and leaving the final disposition of the USPS to the marketplace. If the system could streamline itself and compete effectively without the aid of legal restrictions or subsidies, it would persist as a nonprofit government entity. If, on the other hand, the USPS proved incapable of meeting the service and prices offered by its competitors, it would disappear, with its assets likely to be sold to private delivery firms.

Everyone does not agree on how to reform the system, but only by privatizing will Americans get the kind of mail service they deserve.

"Virtually everyone," observes Miller, "agrees that the Postal Service ought to be improved." But everyone does not agree on how to reform the system. The entrenched postal establishment—management as well as unions—naturally contends that all that is required is a little tinkering and, of course, steady rate hikes. In reality, however, the system's problems are impervious to minor reforms, stemming as they do from the status of USPS as a government monopoly, subsidized by the taxpayers and protected from private competition. Only by privatizing the system will Americans get the kind of mail service they deserve.

Privatization of the mails does not appear likely in the near-term, given the political strength of the Postal Service's congressional protectors. The 800,000 USPS workers make "the postal unions one of the strongest political lobbies on Capitol Hill," argues Heritage's Moore. Nor does he think that the general public is "likely to go for a drastic, immediate, overhaul of the system." He worries that talk of repealing the private express statutes, for instance, may doom all reform efforts.

Ron Utt, OMB's privatization "czar" and a one-time postal carrier himself, is more hopeful. "For the first time ever, privatization is viewed by many people as a serious option," he observes. "Only a year ago it was considered to be a frivolous idea advanced by a bunch of ideologues." The opposition to privatization is formidable but, he contends, it "will be overcome."

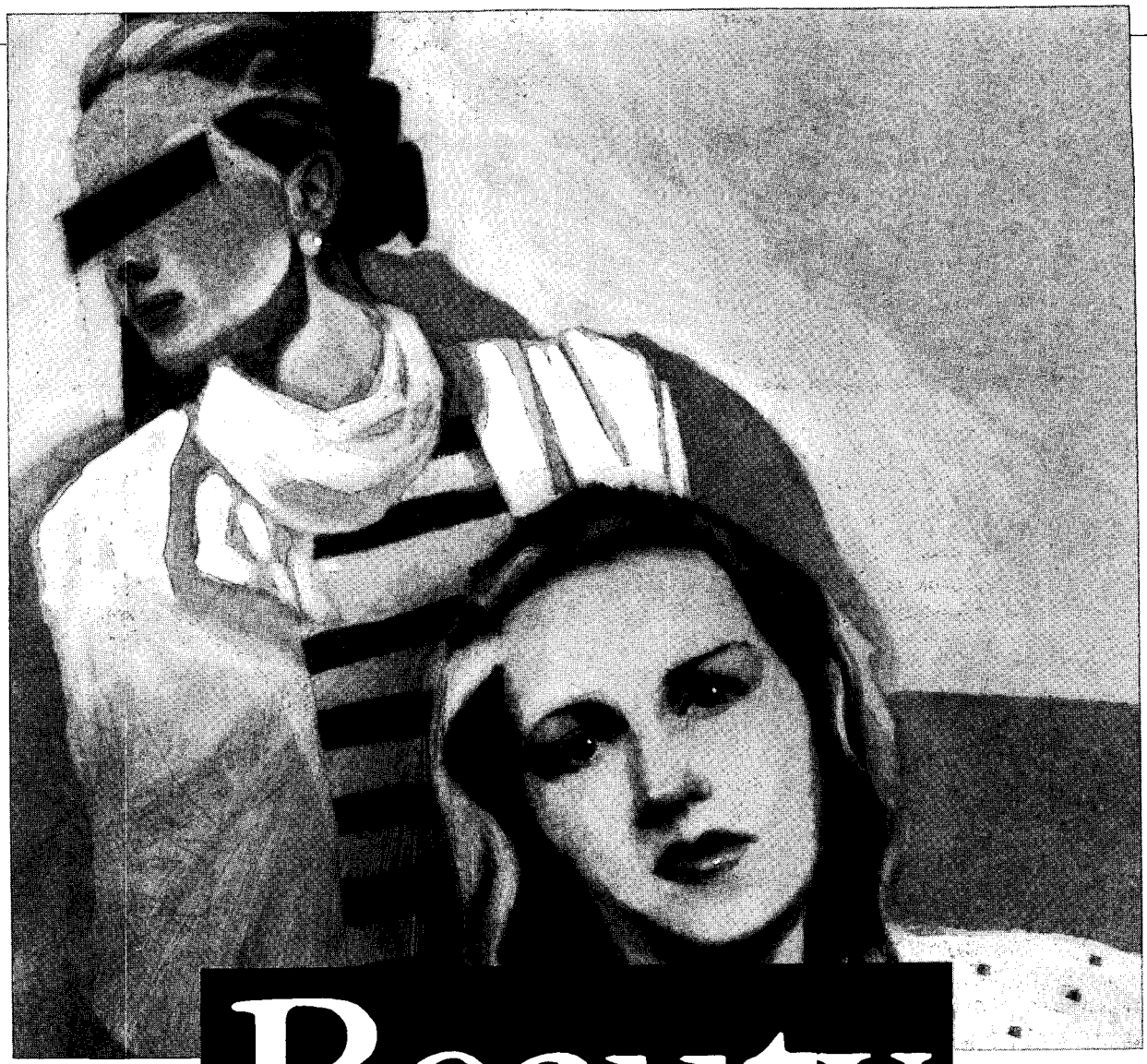
"The more the idea is out there, the less unusual it will seem, and the more confident public officials will be to discuss the issue." Miller, too, emphasizes "the compelling power of the idea, which over time can realize substantial changes in people's attitudes."

In fact, Miller points to airline deregulation and the volunteer military as issues where equally compelling ideas ultimately triumphed over powerful and entrenched opponents. In his view, the private competition provided by UPS, Federal Express, and similar companies will continue to erode arguments on behalf of a Postal Service, while public disgust with the "cozy relationship" between the postal unions and Congress will grow. Utt also suggests that another steep rate hike within, say, the next 12 to 18 months could "dramatically escalate interest in privatization."

Whether privatization occurs slowly or swiftly, it seems inevitable in the long-term. "The question is only how long the process will take," argues Miller. And even Stephen Moore, despite his short-term pessimism, believes that once more modest reforms—such as an increased contracting out and private competition in third-class mail—have eaten away at the periphery of the monopoly, privatization proponents will have "demonstrated that competition is good and will be able to defuse the myth that we need a first-class postal monopoly."

The USPS management and workers do have a choice: They can help shape the transition to a private system so that they as well as the public benefit. Or they can be forcibly, and painfully, deprived of their privileged position when the inevitable changes occur. ◻

Contributing Editor Doug Bandow is a senior fellow at the Cato Institute.



Beauty AND THE Beast

A Hair-raising Tale of Combs, Curlers, and Regulation 09.22.01.11 B

BY HOWARD BAETJER

GWYN STRAMLER

Fourteen-year-old Felicia wanted a new outfit. To earn money for it, she offered to do the hair of some little girls in her neighborhood. One of them had a birthday party coming up, and they all wanted their hair done in "gold braid."

Felicia washed and dried the kids' hair, separated out the part to be curled, and put the rest in neat braids against the head. Then she wove gold-colored twine through the braids in hearts, zig-zags, simple rolls, or whatever pattern the girls asked for. Finally she curled the bangs. She charged $5.00 each.

Her customers, pleased with her work, recommended her to others. Felicia's business experienced a miniboom; in all she did the hair of about 10 children, some at her house and some at the children's houses. She estimated her income at $50.00 and her expenses, for gold twine and styling gel, at $6.75. Her net was enough for the new outfit. And she had a promising source of future income.

A happy story of a good kid moving ahead through free enterprise in the land of opportunity? The story isn't finished.

A neighbor stopped six-year-old Devin, one of Felicia's clients, on the sidewalk one day and asked who had done her hair. Now in Maryland, where Felicia lives, hairdressing is reserved by law for those to whom the state has granted licenses. The neighbor happens to be scrupulous about the law—or at least this law. She sent a warning through the grapevine to Felicia's mother, who reluctantly told her daughter to give up her business. "We don't want any trouble."

The neighbor who inquired about Devin's hairdresser and sent the warning has a niece...who is a licensed hairdresser. The mother of one of Felicia's clients had canceled a $32.00 hair appointment with that niece, choosing Felicia's $5.00 services instead.

So the plot is complete. It is one of enterprise, opportunity, and consumer benefit cut short by legally enforced jealousy.

I learned about this incident from Felicia when I was making a point to her seventh-grade social studies class—that occupational licensing hurts people, especially disadvantaged people, by cutting off their opportunities. I had mentioned hairdressing as an example, but there are some 490 occupations licensed in various states of the union, and virtually any of them might have served to illustrate my point. Licensure hurts consumers by reducing the number of providers, thereby allowing existing providers to charge higher prices. It benefits members of the special-interest group of licensed providers, such as the niece. Felicia's classmates got the point.

I was already well acquainted with the economist's analysis of who benefits and who loses from licensing laws. I know Walter Williams's penetrating observations in *The State Against Blacks* about the adverse racial effects of occupational licensing that forecloses employment opportunities. I find compelling the political scientist's thesis that public-safety arguments for licensing are the clothing in which the affected professions dress up legislation actually designed to protect their incomes.

But Felicia's story piqued my curiosity about the particulars, and I decided to find out more. Just what was the law? What penalty was Felicia subject to? How severely did the law exclude people from hairdressing, and how far removed was it from any connection to the public safety? So I did some exploring.

First I made an attempt to reach another young hairdresser mentioned by one of Felicia's classmates. But no one would give me her name and address, because while she is licensed, she sometimes does hair at her home—that's illegal. (By the way, "Felicia" is not the young woman's real name; at her request, I changed it.)

The next step was to go right to the source: the offices of the Maryland State Board of Cosmetologists at 501 St. Paul Place, Baltimore, which regulates the work of hairdressers, manicurists, and cosmeticians. The dingy building reeks of bureaucracy. Row upon row of thick files in high open cabinets line the walls of the office—musty records of control over the livelihoods of thousands.

A secretary told me that Eunice Alper, executive director of the board, was unavailable at the time, but I could call her the next day. She gave me a copy of the booklet of regulations: The Annotated Code of Maryland, Article 56, Sections 479-507, with Code of Maryland Regulations 09.22.01, 09.22.12, 09.01.02, and 09.01.03. When I asked for a copy of the licensing examination, she gaped and shook her head—*no one* ever gets to see it.

On reading the Maryland cosmetology regulations, one cannot be absolutely certain that their purpose is to exclude competition, nor that claims about the public safety are mere window dressing. But any other interpretation defies credulity.

The booklet contains 56 pages of definitions, directives, prohibitions, eligibility requirements, procedures, and exemptions. They deal with practice, schooling, examinations, applications, sanitation, advertising, display of certificates, penalties, equipment, owners, managers, teachers, apprentices, inspectors, reading disabilities, hours, dogs, cats, birds (it's true), and so on. Out of these 56 pages, slightly less than four deal directly with health and safety, in two virtually identical passages, one for beauty salons and one for beauty schools. And these are either so obvious as to go without saying or so petty as to be as much a nuisance as anything.

It is required, for example, that salon employees wear clean clothes, wash their hands, and keep their curling irons "free from rust, grease, and dirt." Some other important rules:

- A minimum of 12 combs and 4 brushes shall be available for each on-premises employee licensed to perform beauty culture.
- Implements to be used for pressing and thermal waving shall be adequate in quantity and variety to perform the complete service.
- Protective neck bands shall be used on each patron.
- Fluids and powders shall be applied to patrons from a bottle or shaker dispenser.

If such regulations do improve safety, the effect is surely miniscule, since any beauty shop must stay clean and sanitary enough to keep its customers coming back and to convince the insurance inspector that lawsuits are unlikely. But in any case, the other 96 percent of the regulations give plenty of evidence that customer health and safety is at best a minor goal.

Only those who practice cosmetology "for compensation" are covered by the statutes; this is made clear three times on the first page. If hairdressing is dangerous, and if the law were meant to protect the public safety, wouldn't *any* practice, whether for compensation or for free, be covered?

The first of many obstructions to legally getting into the business for com-

pensation is a requirement excluding outright anyone under the age of 17. (Felicia, no matter how competent, may not begin to practice for three more years.)

The regulations are detailed and vary with a number of hairdresser classifications: operator, demonstrator, junior manager, senior manager, junior teacher, senior teacher. For example, a beauty shop "owner" (distinct from an "owner-manager"), may not simply promote a capable employee from junior manager to senior manager. He or she must first take a test, but not until "such person has had twelve months' experience working as a junior manager."

Consider the requirements for simple entry into the business at the lowest level—the qualifications that Felicia, were she old enough, would have to fulfill in order to put her proven skills to work as a legal "operator."

First, she would need to pass the board's examination. A test of competence seems reasonable if the state is to regulate the industry at all. But being competent enough to pass the examination is not sufficient. Would-be hairdressers have to fulfill a number of other requirements before they are even eligible to take the exam.

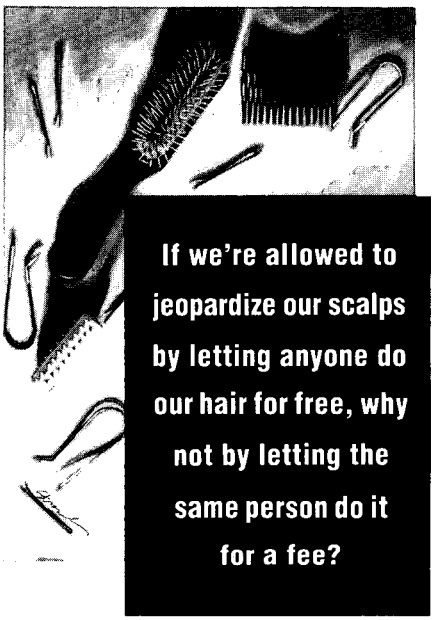
The 17-year age limit, eighth-grade education requirement, and $5.00 examination fee become minor obstacles. The daunting one is that no one may take the examination until having already put in 1,500 hours training or served as an apprentice in an approved beauty shop for at least two years. I made some calls and learned that in Maryland the total price of beauty school (enrollment fee, kit, tax, insurance, and tuition) runs about $3,300—not counting forgone income from a job.

So the requirements are costly in time and money. They surely drive many potential practitioners into other, less encumbered fields. And their effect is greater the more disadvantaged the would-be applicant, although such a relatively accessible skill could provide a place on the employment ladder.

Regulation of beauty schools themselves has the same effect. The schools must be duly licensed, too, and hire the right number of duly trained and licensed teachers, as well as a licensed physician "as a consultant." Their terms may not run less than 9 consecutive months nor give more than 40 hours' training per week (for day school; for night school it is 18 months and 20 hours per week). These requirements prevent the able and industrious from saving time and money by working more quickly, and they prohibit more-flexible arrangements by those who need them.

Would-be hairdressers can avoid beauty school by going the apprenticeship route, but similar restrictions apply. Apprentices must be licensed as such and "shall be required to work at least 40 hours per week, for a period of 24 months. Apprenticeship training shall be completed in not less than 24 months, nor more than 30 months." Mothers with school-age children who want to be home by mid-afternoon can forget about it.

Beauty shops may take on only a limited number of apprentices. They may not charge for "operations performed completely by an apprentice," and these operations must in any case have the "complete and constant supervision of the designated operator or the junior-manager." Hiring apprentices must not become too easy or advantageous.



If we're allowed to jeopardize our scalps by letting anyone do our hair for free, why not by letting the same person do it for a fee?

A regulation that indirectly reduces competition, but in a potent manner, is number 09.22.01.11 B: "Operations may not be performed at the dwelling house of the licensee, or at any other premises other than the dwelling place of the patron, without the permission of the Board, which shall be received in advance of the operation, in writing."

The transparent point of the whole maze of regulations is to restrict entry into the the field of hairdressing. If competence were the object, a suitable examination would do the trick. But one cannot even get to the exam without extraordinary costs in money and time, and at what may well be an inconvenient schedule.

Having illegally gold-braided 10 heads, Felicia could have been fined $250. Under the law, it is a misdemeanor to practice or teach beauty culture without a license, with offenses to be punished by a fine not less than $10.00 or more than $25.00.

When I called Eunice Alper at the Board of Cosmetologists the day after my visit, I asked her whether the fine still stands at $25.00. Yes, she answered, but that would be outside her board's jurisdiction, which encompasses only people who are licensed or applying for a license. Someone who practices without a license would be handled through criminal procedures, with a maximum fine of $25.00.

This didn't sound like much of a deterrent. "But you have to remember," she went on, "that law was passed in 1938, and that was a lot of money." She added that the licensing board, with the support of the state hairdressers' association, keeps trying to increase the penalty to $500-$1,000. Then people would "not be so inclined to do somebody's hair in their kitchen." Agreed.

Most illegal hairdressing, explained Alper, is performed not by unlicensed people but by licensees operating outside the rules. Over such miscreants the board does have control, since it issues the licenses. When the board hears that someone is practicing illegally—in his or her home, say—it conducts a formal hearing, after which it may impose a fine ($500 per offense) or suspend or revoke the license. There is no court of appeal on these decisions, as the board is answerable only to the governor, who does not intervene.

This sole authority to suspend or revoke licenses is the crucial power that makes the board fearsome to the young hairdresser I tried vainly to contact. Her license is her bread ticket, her livelihood. And the board controls it.

"What is the reason for licensing?" I asked Alper directly. "Why not let be a hairdresser who wants to?" Her answer came immediately and firmly: "To protect the public health and safety." But her subsequent comments reveal the thinness of this rationale.

First was her explanation of why the laws cover only those who practice for compensation. If it is a matter of health and safety, I asked, shouldn't the same regulations apply to those who dress others' hair for free or dress their own? Oh, no, she answered. Inexperienced people can "burn themselves, or scar themselves

GWYN STRAMLER

for life," but "we don't protect people from themselves. Nor do we want to. It's not that kind of society." As for restricting people from doing one another's hair for free, "the public wouldn't allow it."

The logic is very shaky. If an untrained person should be free to risk burns and scars under her own inexperienced hands, surely she should also be free to take the lesser risk of hiring someone she deems competent, even if not licensed. And if we are allowed to jeopardize our scalps by letting anyone do our hair for free, why not by letting the same person do it for a fee (in which case, anyway, she is more likely to be careful)?

The notion that licensing laws protect the public becomes more doubtful when we consider Alper's comments on how law breakers are tracked down. It is never the consuming public that complains. Sometimes a neighbor, but usually some "other cosmetologist makes the complaint." So who is being protected?

The public's attitude is well illustrated by Alper's account of one basement beauty shop that the board shut down with the help of a ruling on the particular meaning of "compensation." The shop was just that: a full-fledged salon, with people waiting in line and a closetful of supplies. But the hairdresser and her patrons all insisted that this was not a beauty shop under the law, since the service was not provided "for compensation." No cash changed hands. The patrons, in exchange for having their hair done, would do favors for the hairdresser: bake cakes, do laundry, make clothes, babysit, and so on.

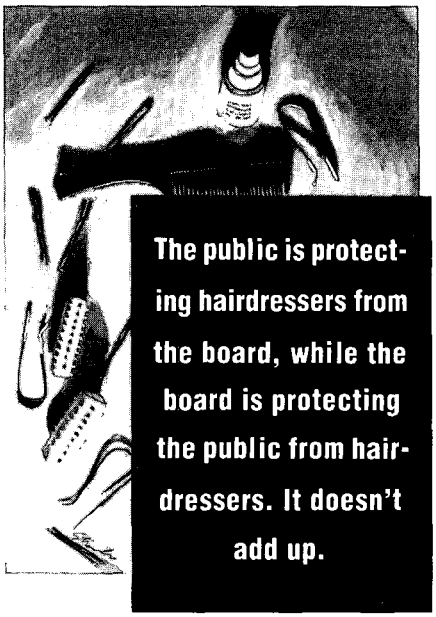
The ruling was: that's compensation. For three patrons at $500 per violation, the hairdresser was slapped with a $1,500 fine. The board closed down her salon, thereby denying her customers a service they wanted. Those actions were to protect the public?

Alper added that money probably did change hands. But why wouldn't the customers have said so? I asked. "Some people are protecting their hairdressers," replied Alper, "so they lie." So the public is protecting hairdressers from the board, while the board is protecting the public from hairdressers. It doesn't add up.

The truth is that the hairdressers have a nice cartel going. They want the regulation. They fight for it. So I was informed by Thomas Berger, the cheerful executive director of the National Cosmetology Association in St. Louis, whom I called next.

Berger told me proudly of the association's successful lobbying against some states' efforts to "sunset" their licensing boards. Apparently audits had indicated to several legislatures that the licensing boards are a needless expense that could be eliminated. The NCA "took over the legislative push" to keep hairdressing regulated.

Why, I asked? "No reason other than consumer protection," replied Berger in an expansive tone. "The government could care less what would happen to the economy of hairdressers." Perhaps that is true, I thought, but politicians may care about



The public is protecting hairdressers from the board, while the board is protecting the public from hairdressers. It doesn't add up.

the votes and campaign money the state associations can muster.

Berger sent me a copy of the model bill the association supplies to state legislatures. Political scientists have for a long time talked about the tendency of the regulated to co-opt or become the regulators—here is a good example of the phenomenon. Among the NCA's recommendations: beefing up Maryland's requirements by increasing the schooling minimum from eighth grade to high school graduation and boosting the training-time requirement from 1,500 to 2,100 hours. To protect the public, of course.

I asked Berger about enforcement. Again with engaging cheerfulness he explained that violations must usually be reported first. "Then there is the process of setting up a stoolie [to go in for a hairdo], paying the hairdresser, and then turning it over to the board." Stoolies. What cleverness.

"The easiest way to hit them in the pocketbook," confided Berger, "is to report them to the IRS." In some states, practicing without a license is a felony, and violators must go to court. "That in itself has an impact on them." It was all I could take. I thanked him for the information and hung up.

Felicia's tale is one more chapter in a centuries-old story. Adam Smith, the father of modern economics, observed in the 1770s in *The Wealth of Nations* how mercantilist laws protected the special privileges of the guilds of his day. Smith was outraged that tradesmen could protect their income at the expense of consumers, using specious rationalizations to persuade the public "that the private interest of a part, and of a subordinate part of the society, is the general interest of the whole."

Licensing laws criminalize peaceful, beneficial enterprise. They legislate voluntary exchange out of existence or drive it underground. They force up the price of services and shut off avenues of advancement for those competent to perform services but lacking the resources to meet the law's requirements. They hurt everyone except the privileged group of licensed practitioners.

But the economic ills of such laws are not so important as the moral ills, as Smith also observed so pointedly:

"The property which every man has in his own labour, as it is the original foundation of all other property, so it is the most sacred and inviolable. The patrimony of a poor man lies in the strength and dexterity of his hands; and to hinder him from employing this strength and dexterity in what manner he thinks proper without injury to his neighbour, is a plain violation of this most sacred property. It is a manifest encroachment upon the just liberty both of the workman, and of those who might be disposed to employ him. As it hinders the one from working at what he thinks proper, so it hinders the others from employing whom they think proper. To judge whether he is fit to be employed, may surely be trusted to the discretion of the employers whose interest it so much concerns. The affected anxiety of the law-giver lest they should employ an improper person, is evidently as impertinent as it is oppressive." r

Howard Baetjer is a graduate student in economics at George Mason University.

SPECIAL ANNUAL **BOOK** SECTION

Witness to a Revolution?

by David R. Henderson

Revolution, by Martin Anderson
New York: Harcourt, Brace, Jovanovich, 486 pages, $19.95

Reaganomics: An Insider's Account of the Policies and the People, by William A. Niskanen
New York and Oxford: Oxford University Press, 363 pages, $19.95

When asked to sign an academics' statement supporting Ronald Reagan during the presidential campaign of 1980, I refused. I did so on the basis of two pieces of evidence. The first was Reagan's mediocre record as governor of California. One of his worst acts, committed shortly after he took office, was to give California one of the country's most "progressive" (graduated) state income tax systems in an effort to erase a short-term budget deficit inherited from the senior Governor Brown. The second piece of evidence was his commitment during the 1980 campaign to cut government spending by attacking "waste, fraud, and abuse." Not that I favor waste, fraud, and abuse. Rather, my objection was that if Reagan interpreted those terms as narrowly as they are usually interpreted, he would not cut government spending programs that really should be eliminated—subsidies for farmers, for example. I never imagined during the 1980 campaign that Reagan would make a serious and sustained attempt to cut the size, let alone the growth, of the federal government.

I was wrong. In his first month in office, Reagan removed price controls on oil and disbanded the Council on Wage and Price Stability that had been running former President Carter's wage and price guidelines. He rescinded a number of "midnight" regulations that had been imposed during Carter's last days and proposed sharp budget cuts and even larger tax cuts. And that wasn't all. In his speeches to Congress and the nation, Reagan took the offensive, blaming government for the nation's economic problems.

That first month left me in shock. When I heard the president of the United States saying in his speeches some of the things I had said in mine, I felt mixed emotions. On the one hand, I felt gratified that finally a man who shared some of my most deeply held political and economic beliefs had the power to act on them. On the other hand, I felt threatened: Reagan was challenging my view of myself as a rebel, a view in which I had invested a lot of emotional capital.

That month, my political values struggled with my self-image. My political values won. I decided that I wanted to join Reagan's crusade to roll back the government. I went to Washington, where I worked first in the policy branch of the Labor Department under Hoover Institution economist John Cogan and later at the Council of Economic Advisers under Murray Weidenbaum and then under Martin Feldstein and Bill Niskanen.

By the time I got to Washington in late 1981, David Stockman had already helped torpedo the Reagan revolution by giving damaging interviews to then–*Washington Post* reporter William Greider. The 1981-82 reces-

sion had also begun. Both factors made further budget cuts even harder to attain. As a result, I missed the peak of Reagan's political power and was not in on many important attempts to tame the government.

The only one major old regulation I helped make less onerous was the one on fuel economy for new cars. Mostly, I helped to prevent new government programs. Sitting on the inside seeing Reagan and his advisors squander opportunities for cutting government and seeing Congress head Reagan off at almost every pass, I found it hard to think that I was part of a revolution.

Was there a Reagan revolution? Two recent books disagree on the issue. What makes the disagreement particularly interesting is that it is between two of the most libertarian of Reagan's high-level appointees, men who were and are political allies: Anderson, formerly Reagan's chief advisor on domestic policy, and Niskanen, a member of Reagan's Council of Economic Advisers and subsequent acting chairman. In *Revolution*, Anderson argues, as the title implies, that there was a genuine Reagan revolution. In *Reaganomics: An Insider's Account of the Policies and the People*, Niskanen says it ain't so.

If you look just at economic policies other than tax policy, you would have to say that Niskanen is right. Take government spending. According to Anderson's numbers, Reagan's goal was to bring spending to 18.6 percent of gross national product by 1985, down from an estimated 22.7 percent in 1981. Did he achieve it? The closest Anderson gets to answering is to describe the long economic expansion that we have had since 1982: "Reaganomics," he writes, "turned the economy into a money-making machine that allowed him to preside over the largest increases in social welfare spending of any country in history." In short, Reagan failed to cut domestic spending. By 1985, spending had increased to about 24 percent of GNP, over 5 percentage points above Reagan's goal. But you won't find that fact anywhere in *Revolution*.

Niskanen points out that Reagan made large cuts only in a few categories such as welfare support services and energy. How many spending programs did Reagan eliminate? Only one, but to Reagan's credit, a big one: the $5-billion revenue-sharing program for state and local governments. Reagan slowed the growth of new regulation but also slowed the deregulation movement that had gathered steam during Carter's term. How about Reagan's record on trade? Reagan, Niskanen states flatly, "imposed more new restraints on trade than any administration since Hoover."

Niskanen's conclusions are not totally negative. He credits Reagan for two major policy achievements. First, Federal Reserve Board Chairman Paul Volcker, backed by Reagan, reduced inflation by six percentage points—even more than Reagan had intended. In the process, they showed that inflation is easier to tame than many economists had thought. Niskanen claims that the true cost of cutting each percentage point of

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inflation turned out to be less than half the $100 billion (in 1980 dollars) in lost output predicted by President Carter's economists.

Second, Reagan dramatically reduced taxation of individual incomes. On tax policy, there was clearly a Reagan revolution. Reagan's biggest victory was his gutting of the "progressive" income tax: he reduced the top rate on individual income from 70 to 28 percent. Most of the industrialized countries around the world have been scrambling to follow the U.S. example: Canada's top federal rate, for example, is now only 29 percent; New Zealand's is 33 percent; Britain's, 40 percent. Certainly, Reagan has had a revolutionary impact on federal taxes that more than makes up for his earlier progressive-income-tax sins in California.

But the real revolution, argues Anderson, was in the realm of ideas. Anderson has that rare ability to look at the big picture—to keep his eyes on the prize. And the big picture, to Anderson, is the death of socialism worldwide and the corresponding shift in thinking toward "the new capitalism." Not that Anderson gives Reagan credit for this shift. He claims that Reagan, like Nixon and Goldwater before him, was created by, as much as a contributor to, the political movement toward the new capitalism.

Although I have trouble imagining Nixon as a closet believer in laissez-faire, Anderson is right about the

Anderson's account is less a detailed analysis than a poetic political manifesto.

dramatic shift toward procapitalist thinking. Take economics, for example. Only 18 years ago, I could read virtually everything written in journals and magazines by free-market economists. Now I can't keep up with 5 percent of what is written in English. And the foreign-language free-marketeers are at it too.

Revolution should not be read as a detailed analysis of economic policies. That is not what it is, nor what it claims to be. Instead, it is a kind of poetic political manifesto. Fellow REASON contributor Roy Childs has called the book "a libertarian counterpart to what liberal historians and commentators did to—or for—the administrations of Roosevelt and Kennedy." I second that. *Revolution* is about the values that motivated Reagan in his 25-year quest to tame the federal government. And Anderson writes with a power and a sweep that are rare for an economist.

In some ways, *Revolution* reminded me of Ayn Rand's novel *The Fountainhead*. This is perhaps not surprising, given Anderson's early association with Rand. Like Rand's novel, *Revolution* is about abstract ideas and the flesh-and-blood people who have those ideas. The most fascinating character in this large-stakes drama is Reagan himself.

As Anderson demonstrates with his tale of how Reagan made it to the White House, his biggest virtue is tenacity. Throughout the 1960s and 1970s, he stuck to the same message: the federal government spends too much on domestic programs and overregulates the economy, and our defenses are too weak. Ultimately, American citizens came around to his views. Then amazingly, after Reagan earned his way to Washington, he did not forsake the ideas he stood for but actually tried to implement them.

Reagan's biggest flaw is not, as is often believed, his failure to monitor subordinates. One human being can do only so much, and Reagan probably realized that he could not at the same time focus on his major goals, continue to be the Great Communicator, have any kind of private life, *and* still watch over his staff. The latter is what a chief of staff is supposed to do and what, according to Anderson, Jim Baker did well in the first term and Don Regan did badly in the second.

Reagan's biggest flaw was his susceptibility to making decisions based, not on logic, but on the personal appeal of those with access. This characteristic was best illustrated by Anderson's shocking story of why and how Reagan got Israel to quit bombing Lebanon. There was no careful weighing of the issues. Rather, Michael Deaver walked into Reagan's office one day, threatening to quit unless Reagan asked Israel's prime minister, Menachem Begin, to stop the bombing. Reagan called and made the request. Twenty minutes later Begin called back and told him that the bombing had stopped. Simple. This same willingness to give in to former CIA Director William Casey is what landed Reagan in the Iran-Contra soup.

Another character, less important but still fascinating, is young David Stockman. Anderson rightly calls Stockman's book, *The Triumph of Politics*, "a self-righteous work with the tone of a screeching bluejay." Stockman simply did not understand that you can't always get what you want. If pessimistic Stockman were to write a description of baseball great Ted Williams, says Anderson, it would read as follows: "Even at the height of his career, Williams manages to get base hits only 40 percent of the time and strikes out repeatedly."

Anderson's book is probably most valuable as an inspiration for those who want to enter the political arena and continue hacking away at government. But it says little about the lessons learned from some of Reagan's failed attempts. Niskanen's *Reaganomics* is much better on this. One of Reagan's biggest blunders, according to Niskanen, was on Social Security.

In 1981, Social Security was ripe for reform. The old age, survivors, and disability (OASDI) program was projected to run out of money within a few years despite large tax increases passed in 1977. The main problem—short-and long-term—was that benefits were tied to the consumer price index, which overstated inflation. Congress was already concerned about the problem. According to Niskanen, Democratic representative Jake Pickle (Tex.) and Republican senator William Armstrong (Colo.) would probably have come up with a good bill to solve the short-run problem and even made Social Security sounder in the long-run.

But budget director David Stockman was impatient. He wanted immediate budget reductions and cared little about the long run. As he stated in one of the most revealing, and unheralded, quotes in his infamous interview with Greider, "I'm just not going to spend a lot of political capital solving some other guy's problem in 2010." As Niskanen points out, Stockman, allied with Anderson, got his way, and the administration proposed cutting early retirement benefits from 80 percent to 55 percent of full benefits effective in January 1982. The result: the Senate straight-armed Reagan, approving a resolution critical of his proposal by a vote of 92 to 0. Reagan quickly withdrew the proposal, and the Democrats had a hot issue that helped them in the crucial 1982 elections.

Moreover, Social Security did not get fixed. The main long-term problem—the indexing formula—was unchanged, and higher taxes were the main solution to the short-term problem.

This episode, a pivotal one given that Social Security accounts for over 20 percent of government spending, carries an important lesson: be patient. If you want to have a long-term impact, work for long-term goals.

Surprisingly, neither book mentions what could be one of Reagan's most durable and important legacies: his appointment of judges. For good or ill, judges have enormous power to decide what the law is and whether it is constitutional. Because Reagan has appointed three Supreme Court judges and hundreds of district and

appeals court judges, all of whom can serve for life, the impact of his judges will be felt into the next century.

I am not qualified to say whether the net impact be good or bad, but on economic policy it will most likely be good. Some of Reagan's Supreme Court judges—especially fire-breathing Antonin Scalia—have been instrumental in two landmark decisions that limit the power of local governments to regulate people's use of their own property—*Nollan* v. *California Coastal Commission* and *First English Church* v. *Los Angeles County*. Richard Epstein, in his book *Takings*, argues that the judges should go further and overturn other regulations that amount to a regulatory taking of private property by the government. If they do so, it will be in no small part because of Reagan's appointees.

Reagan definitely hastened the movement of the United States away from statism. At the same time, he squandered important opportunities for further moves. So it is too soon to tell whether there there was a Reagan revolution. How lasting his impact is will depend on a number of factors. The most immediate is how the new administration handles economic policy. But more important than the policies of the new administration is whether Americans in general believe that government is a dangerous master. Even more important is whether the hundreds of believers in limited government whom Reagan appointed, along with the thousands of others who believe in limited government but are not in government, will continue to fight the beast. As Anderson writes: "Little in politics happens by chance,...virtually everything is carefully done, carefully plotted, sometimes years in advance."

Contributing Editor David R. Henderson, a former staff economist for President Reagan's Council of Economic Advisers, teaches at the Naval Postgraduate School in Monterey and is a regular contributor to Fortune.

The Moral Glue

by Thomas Sowell

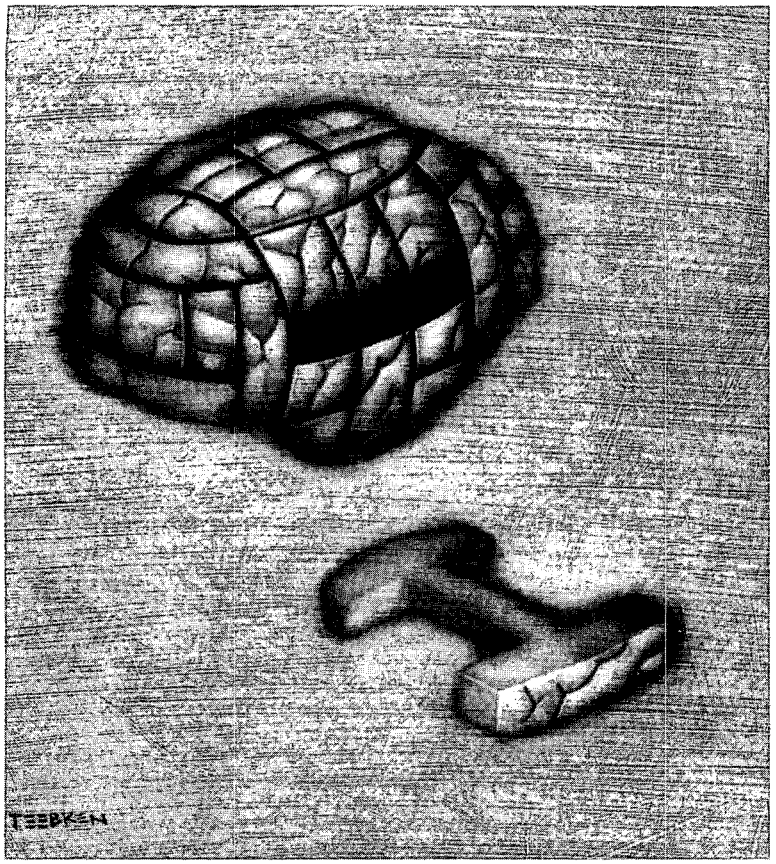
The Fatal Conceit: The Errors of Socialism, by F.A. Hayek
London: Routledge, 224 pages, $33.00

John Stuart Mill said that the logical development of human knowledge is the opposite of its historical development. Logically, we should begin with a definition of what we are talking about, state its fundamental premises, and then deduce corollaries in successively more specific areas. Historically, however, we are much more likely to begin with isolated specifics that interest us for one reason or another, eventually begin to see parallels between them and some other specifics, start to group these together, then discover the fundamental premises that underlie them all, and finally give it all a name. Thus mankind may start off with herbal remedies for sickness and with mixing other substances for other purposes, and eventually end up with chemistry.

Logically, *The Fatal Conceit* should have been the first of Friedrich A. Hayek's books, for in it he lays the foundation of much that is found in his other works—his general theory of man and human interactions and of the intellectual perceptions and misperceptions of these interactions. Once having understood Professor Hayek's underlying assumptions, we could then move on to better understand such general studies of Western government as his *Law, Legislation, and Liberty* and afterwards such more specific works as *The Constitution of Liberty* and *The Road to Serfdom*. On the economic side, we could proceed from Hayek's general writings on the role of knowledge to his earlier, more specific technical work on capital. However, it would have been completely inconsistent with his own overall vision for Professor Hayek to have proceeded in this mechanistically rationalistic way.

As it is, we can simply welcome this fuller development of the premises inherent in the many works that constitute the Hayekian legacy. Moreover, we have a special reason to welcome it, as it is chronologically the first book to appear in a projected series to be called *The Collected Works of F. A. Hayek*—though it is numbered Volume 12, Part 1.

The Fatal Conceit contains nothing startlingly new and yet my copy is heavily marked up on almost every page. For those already familiar with Hayek, it is a work of clarification. For those unfamiliar with his writings, it is an excellent introduction, not only to his thought but also to the opposite views which give the book its title. Certainly, if one were teaching a course on Hayek, *The Fatal Conceit* would be the perfect first assignment.



Not all libertarians will welcome Professor Hayek's clarification of his premises. The "reason" which is so important to some libertarians—even to the point of naming a magazine for it—has a very limited role in Hayek. Indeed, that limitation is a central part of his thesis that evolved patterns of human interactions are usually superior to deliberate designs imposed by "reason." The superiority of capitalism to socialism is only a special case of this broader principle.

Many libertarians would argue that there are explicit analytical reasons why capitalism is preferable to socialism and that it is for these explicit reasons that they prefer it. Otherwise, as a writer in a recent issue of *The Cato Journal* expressed it, it would be necessary to agree with Ronald Dworkin's characterization of belief in evolved orders as "a silly faith." However, the dichotomy between faith and reason omits the basis for many—probably most—decisions.

Someone may prefer one brand of shoe over another, not because he has blind faith or because he has rationalistically investigated the complexities of shoe construction or the anatomy of the human foot, but simply because one brand feels more comfortable than the other. Similarly, long before Austrian economics or even Adam Smith explained the superiority of market forces over politically imposed economic policies, one could (not unreasonably) have preferred the marketplace simply because of its demonstrably better results.

Hayek's transcendence of the faith-reason dichotomy goes beyond empirically based choices. He argues that the evolutionary survival of some cultural patterns at the expense of competing cultures is an important mechanism for the selection of patterns that work better—even when the reasons why they work better have not been understood by either the winners or the losers in the competition. To discard whatever cannot justify itself before the bar of reason—in the explicitly articulated sense of the philosophic rationalist—would be to throw away most of civilization itself, not just the marketplace. The "fatal conceit" of what Hayek calls "hubristic reason" is fatal in just this sense.

Repeatedly, Hayek makes clear that what he sees at stake in these apparently arcane methodological issues is nothing less than the survival of civilization. The moral glue that makes it all stick together cannot be justified—or, more important, perpetuated—on the basis of articulated, syllogistic rationality of the sort demanded by intellectuals. He says: "The starting point for my endeavor might well be David Hume's insight that 'the rules of morality...are not conclusions of our reason.' " Morals, according to Hayek, "are not a creation of man's reason but a distinct second endowment conferred on him by cultural evolution."

Hayek relies heavily on tradition—"that which lies between instinct and reason"—to preserve civilization. But he also recognizes that there are limits to such reliance on tradition, just as there are limits to the domain of explicitly articulated rationality. He says: "I do not claim that the results of group selection of traditions are necessarily 'good'—any more than I claim that other things that have survived in the course of evolution, such as cockroaches, have moral value." What he does believe is that "an understanding of cultural evolution will indeed tend to shift the benefit of the doubt to established rules, and to place the burden of proof on those wishing to change them."

One reason why no particular system of morality is deemed to be categorically and timelessly "good" by Hayek is that the kind of morality most conducive to the well-being of small communities such as families and tribes is radically different from the kind of morality needed to preserve vastly larger aggregations, such as nation-states and civilizations. He argues that the former are instinctively more attractive to us, not only because of deep roots in our ancestral past, but also because of their continuing importance in our dealings with those who are nearest and dearest to us.

The instincts of "solidarity and altruism," the sense of cooperation and consensus, the commonality of specific goals and of the efforts to achieve them, are at the heart of the small group. But the large nation-state or a vast civilization cannot be coordinated in this way. Hayek therefore sees socialistic movements, which tend to think of themselves as being in the vanguard of progress, as being instead a throwback to a more primitive society whose emotional appeal is still with us.

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He says: "I believe that an atavistic longing after the life of the noble savage is the main source of the collectivist tradition."

The vast civilizations now necessary, not only for our current levels of well-being but even for the physical survival of the huge populations its productivity makes possible, run on entirely different principles, of which the marketplace is only one. Fundamentally, such an "extended order," as Hayek calls it, runs on rules—rules within which individuals largely selfishly seek their radically differing goals. Such a pattern of human interactions can "give little satisfaction to deep-seated 'altruistic' desires to do visible good," according to Hayek. Its benefits, though many, are largely systemic and therefore emotionally unsatisfying to those who want to see themselves "make a difference" in the lives of others.

Hayek was once charged by Joseph A. Schumpeter with excessive generosity to his adversaries—an indictment to which few intellectuals have been subject. However, while Hayek recognizes the cynical manipulation of words and emotions for political purposes by those on the left, such phenomena are not essential to his critique of their position. According to Hayek, "The higher we climb up the ladder of intelligence, the more we talk with intellectuals, the more likely we are to encounter socialist convictions." This is because "intelligent people will tend to over-value intelligence, and to suppose that we must owe all the advantages and opportunities that our civilization offers to deliberate design rather than to following traditional rules." To Hayek, socialists are just a special case of the fatal conceit of rationalists. "Although this is an error, it is a noble one," he says.

Perhaps. But Hayek's conception is a nobler one. It accepts our limitations and all that they imply, including a self-denying discipline in place of the self-indulgent moral one-upmanship of the left.

Thomas Sowell, a senior fellow at the Hoover Institution, is the author of numerous books, including most recently A Conflict of Visions *and* Compassion Versus Guilt.

The Saving Remnant

by Anne Wortham

In his famous essay "The Talented Tenth," W. E. B. DuBois (1868–1963) wrote that the survival of any race depends on its exceptional men. As with all cultures, he believed, blacks could not advance from the bottom up. Harold Cruse's *Plural but Equal* is an account of how the blacks who have represented the "talented tenth" in the civil rights and intellectual leadership have led the masses not toward the best within themselves and America, self-reliance and freedom, but toward the worst, dependency and expropriation.

In this valuable history of the civil rights movement, Cruse identifies factors that, *in addition to* discrimination, explain the economic disabilities of most black Americans. He aims to show that by seeking full racial integration, the 20th-century civil rights leadership ignored the pluralistic reality of American society, with its multiple groups, associations, and ethnic and racial identities. He argues that the drive for integration ultimately failed to bring about full equality for black Americans.

Martin Luther King, Jr., could have told blacks "how they might reorganize their lives to cope with the demands of freedom in a plural society," says Cruse. He was the first black leader in over 70 years with the charisma, moral authority, and community base to do so. He should have delivered a message of self-determination that said, in effect, "Get your own minority house in order." Unfortunately, this was not King's message. But it is the central message of *Plural but Equal*. Rather than seek integration, Cruse argues, blacks should create separate institutions—political, economic, educational, cultural, and social—within the larger, pluralistic society.

This is not a new message. Variations of its perspective have been voiced by blacks since the antebellum period, most notably by Booker T. Washington (1856–1915) and later by DuBois. But the message has gone unheeded. Cruse's work is an account of why it has been rejected and of the historical context of that rejection.

Cruse identifies the key idea of civil rights leaders as "noneconomic liberalism." Defined by scholar B. Joyce Ross in her history of the NAACP, this position

Plural but Equal, by Harold Cruse
New York: Morrow, 420 pages, $22.95

holds that "the black man's struggle for full civil and political rights must take precedence over any program of economic development, for once color discrimination had been swept away, the black man would be able to compete successfully with his white counterpart in jobs, education, and other avenues to economic stability." This was the preeminent article of faith of the coalition of black radicals, white progressives, and Christian socialists who formed the NAACP in 1905.

Indeed, DuBois and others founded the organization explicitly to counteract Booker T. Washington's emphasis on black economic development. As editor of the NAACP's magazine, *Crisis*, DuBois advocated a policy of immediate franchisement, insistence on civil equality, and higher education "to train the best of the Negro youth as teachers, professional men and leaders." Writes Cruse, "tactically, noneconomic liberalism [was] one means of expunging from the [civil rights]...movement the pro-capitalist, free-market ideals of the Booker T. Washington school in favor of constitutional legalism."

Booker T. Washington: The civil rights movement expunged his pro-capitalist ideals.

Yet the NAACP's early and continued rejection of black economic development in favor of civil rights agitation had little to do with the reality of American society and the relationship of blacks to it. It ignored America's emphasis on private enterprise, profit making, property ownership, and the high value placed on technological development and industrial expansion. In the face of this reality, observes Cruse, "the American Negro was being advised by white liberals to waive any program of economic advancement as a matter of priorities." Instead, the NAACP came to rely on Roosevelt's New Deal as the "bountiful dispenser of black uplift." The result, concludes Cruse, was that blacks were made "economic wards of the state."

Cruse credits today's black critics of the welfare state such as Thomas Sowell and Walter Williams with "correctly approach[ing] black progress and achievement in economic terms." Like them, he takes the view that "without *economic* progress there is no progress." But unlike them, Cruse argues that economic progress does require black leverage in the American political system—a leverage now largely lacking due to the misguided ideas of the black leadership. To correct the situation, Cruse concludes, blacks must turn to the "politics of plurality."

Specifically, he proposes the creation of an independent political party. He views it as a "third force" that would challenge "the Democratic party's monopolistic hold on the left-wing position of the two-party system." The only way to achieve economic justice (understood by Cruse to mean redistribution of wealth) in the free-market system, argues Cruse, is by means of coercive power. An independent, black political party is the initial step toward the reorganization of black life into "first a *political bloc*, then cultural blocs, and then into whatever internal economic organizations are possible within a capitalistic, free-market system."

But before this politics of plurality—the creation of specifically black political institutions—can be expressed in organizational changes, changes must "occur *within* the black group itself." Blacks, Cruse urges, must accept the fact that "civil rights legislation has exhausted the power of the Fourteenth Amendment to redress the historical civil rights wrongs against blacks," that constitutionally, "civil rights justice...has been won."

Moreover, Cruse recognizes that the black leadership must convince the children of the children of the New Deal that the welfare state is not in their self-interest and that free-market capitalism and voluntary, community actions are. And a black political party must contend with entrenched individualism in black communities. For black Americans are quintessential Americans, and they are not likely to readily subordinate their individual aspirations to the interest of the race as defined by the "politics of plurality."

Jesse Jackson's presidential campaign has shown just how unrealistic Cruse's hope for an independent black political party is. Jackson's candidacy was a campaign for the very "inclusion" that the traditional black leadership seeks. He explicitly states that the aim of his Rainbow Coalition is *not* to challenge the two-party system but to challenge the political establishment as an insider within the Democratic Party.

Jackson's capitulation on platform issues at the Democratic convention underscored his commitment to playing by the rules. He told reporters, "We can only win with each other. It is in our distinct advantage to find common ground." This perspective, articulated by today's leading black political figure, effectively rules out any prospect for an independent black political party such as Cruse envisions.

Cruse gives the impression that without leadership, especially the leadership he envisages, American blacks have no hope for the future, because they are incapable of fending for themselves. But his story of failed leadership is only a *slice* of black history. Still largely untold

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is the story of those leaderless masses who have struggled in their communities—first, behind the walls of imposed segregation and now behind the absurdities of imposed integration—to survive without the help or support of the leadership. They are, to use a DuBois characterization, "a saving remnant [that] continually survives and persists, continually aspires, continually shows itself in thrift and ability and character."

Across the country, groups are involved in community self-help projects in enterprise development, alternative education, foster care, crime prevention, public housing administration, family preservation, and entrepreneurship training among youth. These groups operate outside the network of the traditional civil rights and social welfare leadership. It is debatable whether the independent self-help networks require mobilization either by a new leadership, such as Cruse proposes, or by the old (belatedly reformed) leadership. The best alternative to *bad* leadership, which Cruse certainly documents, may be *no* leadership, certainly no national leadership.

There are some major flaws in this immensely informative work. The most interesting and troubling involve Cruse's effort to reconcile what he sees as the integrationist implications of the Constitution and the pluralistic reality of American society.

Cruse's reading of the Constitution is extremely problematic. He asks whether, on the basis of the 14th Amendment, a society's intergroup relations should be assimilation, pluralism, or a combination. But the amendment's implications are of an entirely different order. It focuses not at all on the form of intergroup relations but on the relation of *individuals* to each other and to the state, on the extent to which these *individual* relationships should be voluntary or coercive.

The 1954 decision in *Brown* v. *Board of Education*, the Supreme Court's major school desegregation case, is the centerpiece of Cruse's analysis of noneconomic liberalism and black advancement. It represented the highlight of the NAACP's legal campaign for full equality over the previous four decades.

As Cruse rightly points out, the noneconomic liberalism underlying some of the arguments set forth in the *Brown* decision (and subsequent school desegregation cases) laid the groundwork for undermining pluralism in the name of equality, even when plural institutions resulted from voluntary behavior. He rightly objects to the justices' arguments that separateness is inherently unequal. He views such arguments as socially unrealistic, grounded in questionable social scientific research, and without justification in the 14th Amendment. Indeed, he believes separateness is not inherently immoral. In equating separateness (as opposed to imposed segregation) with inferiority, says Cruse, *Brown* absolved the state of the obligation to *make separate equal*.

He overlooks, however, the more important and constitutionally valid basis for the *Brown* decision—the 14th Amendment's requirement of equal protection of the law *for individuals*, not groups. As sociologist Nathan Glazer notes, "even if [the schools] were 'equal,' their being 'separate' would have been sufficient to make them unconstitutional. The major ground of the decision, it seems clear, was that distinctions by race should have no place in American law and public practice....This was clearly a matter of the 'equal protection of the laws.' " This aspect of *Brown*, as Glazer says, is clearly mandated by the 14th Amendment and is consistent with the original Constitution.

Cruse instead emphasizes the less important features of the *Brown* decision that erroneously imply a constitutional recognition of group rights. For example, by concluding that segregated education led to inferior education for blacks as a group, the Court laid the foundation for future decisions mandating racial balance—an implicit recognition of group-based rights. Endorsing this notion of group rights, Cruse argues that "the separate-but-equal doctrine that Brown found unconstitutional *should* have been supplanted by the truly democratic doctrine of 'plural but equal.' " Instead of sending blacks to inferior segregated schools, the government should have provided segregated but truly equal schools.

W. E. B. DuBois: His "talented tenth" have led blacks toward dependency and expropriation.

Cruse believes that group rights, which he concludes are constitutionally recognized, justify "plural but equal" public schools. He implies the necessity for equal protection of governmentally subsidized racial separation. But this interpretation of equal protection would turn the 14th Amendment's focus to interest-group privileges (disguised as rights) and eliminate the basis for protecting the freedom of *individuals*. Although the laws of welfare-state capitalism provide justification for this proposition, the Constitution does not.

It is possible to find constitutional justification for a *voluntary* (unregulated) and *just* plural-but-equal pattern of intergroup relations. Such a pattern, which I call *individualist pluralism*, would mean restricting the concept of equal protection to the political equality of individuals, not the general equality of groups. It recognizes that individuals have a plurality of interests,

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attributes, and affiliations and ought to be equally free of state interference as they bring those dimensions to bear on their aspirations.

If individuals are to be free, they must be *free to choose*. Group diversity reflects the choices of individuals to pursue their opportunities through groups, which function as "mediating structures" between themselves and the wider society. Pluralism, in this view, is based on the legal freedom of individuals to strive, in cooperation with others, for social, economic, and political goals that do not require the violation of individual rights.

Against this perspective of individualist pluralism, Cruse's pluralism leaves much to be desired. But despite the flaws in its analysis and proposals, *Plural but Equal* should be welcomed as intellectual ammunition for blacks who have been demanding emancipation from various self-appointed leaders, exploitative caretakers, and condescending liberators. It should also be welcomed by whites who, in fear of being called racists or charged with "blaming the victim," refrain from supporting those black Americans who insist that blacks must take responsibility for their freedom and help themselves. But the utmost circumspection is advised.

Anne Wortham, author of The Other Side of Racism, *is a visiting scholar at the Hoover Institution and a sociologist at Washington and Lee University in Virginia.*

Happiness Is...

by Walter E. Williams

In Pursuit: Of Happiness and Good Government, by Charles Murray
New York: Simon and Schuster, 352 pages, $17.95

Charles Murray may not own up to it, but his new book, *In Pursuit*, really presents us with a sequel to *Losing Ground*. In this earlier work, he advanced the theme that American poverty was in full retreat until Congress formally declared war on it in the '60s. *In Pursuit: Of Happiness and Good Government* reinforces that theme. Murray provides us with an answer to the "how come" question, taking us on an intellectual cruise through the straits of domestic public policy.

Murray proposes that when we think about solutions to social programs, we use a "pursuit of happiness" criterion. Drawing on the writings of men like Thomas Jefferson and John Locke, he defines happiness as "lasting and justified satisfaction with one's life as a whole." Murray then treats us to an exploration of the nuances of happiness and the debate among giants like Aristotle, Jeremy Bentham, and John Stuart Mill.

Recognizing that happiness cannot be achieved unless certain needs are met, Murray surveys humanistic psychologist Abraham Maslow's hierarchy of physiological needs, safety needs, and the need for intimacy and self-esteem. Maslow's hierarchy becomes the skeletal framework for a large part of the book and serves as a sort of happiness barometer.

This attempt to define and measure happiness will be heady stuff for most economists. The concept is just too "touchy feely" to yield testable hypotheses and unambiguous answers. We economists don't spend time trying to establish the conditions of falsifying the statement that a person had lived a life of "justified satisfaction." Recognizing this state-of-the-art shortcoming, the economist admonishes: *de gustibus non est disputandum* (there's no accounting for taste).

Economic theory is not uniquely deficient in its ability to grapple with concepts like happiness. Sociological and psychological theory have not done much better. Yet since happiness *is* what we all seek, let us give Murray an A for effort.

Reading the first three chapters of *In Pursuit*, a hard-minded person might fear that it was set on a straight course toward shipwreck on the shoals of abstract socio-psycho-philosophical nonsense. But from the fourth chapter on, such fears evaporate. The Murray familiar to us in *Losing Ground* emerges—analytical and compassionate in his dissection of public policy.

Policymakers, activists, and large parts of the public call for more spending on food stamps, housing, and medical care for the poor, but Murray contends that the pains of contemporary society have little to do with the lack of material resources beyond those that meet Maslow's baseline needs: "Money *in itself, by itself* will not inspirit the dispirited homeless, make loving mothers of neglectful mothers, make a cheerful home out of a dump. A few days later, even if the money continues to be provided, the dispiritedness and neglectful-

ness will return and the home will be a dump with different furniture."

All the evidence we see, particularly from America's ghettos, seems to support this disconcerting conclusion—disconcerting because policymakers tend to think they can solve every problem with money. Murray is saying that the key features of America's welfare subculture are beyond the reach of public policymakers.

Turning to the crime problem in many American cities, Murray uses Maslow's second need—safety—as a happiness criterion. Lawfulness, which is conspicuously absent in many cities, is not necessarily coincidental with a low crime rate. Lawfulness "means that predatory behavior is treated in a reasonably *predictable and understandable* way that corresponds with commonly shared principles of right and wrong in the community."

Controversial Supreme Court decisions regarding admissible confessions (*Miranda*) and evidence (*Mapp*) tend to undermine people's perception of lawfulness. When criminals get easy sentences as a result of police procedural errors, people begin to perceive that guilt or innocence is determined by who has the best lawyer.

High levels of lawlessness lead authorities to decline to prosecute certain crimes and misdemeanors, or to offer plea bargains, because police are preoccupied with more "serious" crimes like murder, hold-ups, and rape. Trespass or property destruction goes unpunished, resulting in an intolerable level of community noncivility. This climate leaves the impression that there is no control, that anyone can do whatever damage and mischief the mind suggests. In a cumulative decay process, the most mobile persons—those who are often the most responsible members of the community—leave, generating an exodus by the next most mobile, leading to even more social decay.

Murray continues his analysis by focusing on the third prong of Maslow's needs hierarchy—the need for intimacy (community and family) and for self-esteem. Murray's discussion of dignity, self-esteem, and self-respect could very well serve as a new focus for more-sensible members of the civil rights establishment.

Murray himself differentiates, perhaps even quibbles over, the respective meanings of dignity, self-esteem, and self-respect. But his key point is that government can bestow none of them. In fact, government can hamper the development of these "self-actualization" attributes. Self-respect requires that individuals accept responsibility for their own lives. How then can it be attained if government handouts take the trouble out of being unemployed, the trouble out of illegitimacy, and the trouble out of supporting one's own children? As our years go by and we contemplate departure from this world, most of us can derive a sense of self-respect and esteem if we can say: I kept a job, raised my family, and made a contribution to my community.

TIM TEEBKEN

In the last four chapters, Murray asks why, even with the best of intentions, government "solutions" fail. His discussion reminds me of the voyage of Jonathan Swift's Gulliver to Laputa, where he visits the Grand Academy of Lagado. Dedicated scientists, in the King's employ, had toiled there for years on projects like reducing human excrement to its original food in order to help with the world's food supply, extracting sunbeams out of cucumbers in order to provide supplemental heat, and adjusting the annual and diurnal motion of the earth and sun in order to perfect the operation of sundials. Certainly, success with these projects would have benefited mankind, but someone should have informed the scientists that Mother Nature, through the first and second laws of thermodynamics, has a strict prohibition against these activities.

Murray focuses on worthwhile, but impossible, government efforts to solve social problems. Using improvement of public education as an example, he asks how we are to put fine teachers into the classroom. He concludes that any politically feasible amount of pay increase—say, a 28 percent across-the-board raise—will only make education *slightly* more attractive to talented teachers but *much* more attractive to second-rate teachers. What about competency tests for teachers? The teachers' union will sabotage the effort by making the test so easy that a well-prepared high school graduate could pass it. What about requiring students to pass a test to get a high school diploma? Again, it will be made easy enough that a well-prepared seventh grader could pass.

Murray argues that we would go a long way toward solving the teacher problem not by engineering solutions but by stripping away all the unnatural aspects of teaching school in contemporary America. Among them is the climate of fear and apprehension prevalent in so many schools; teachers fearing students and parents is a "historical aberration." It is also unnatural to expect teachers to play the roles of policemen, parents, social workers, and ministers. Change in our schools requires reestablishment of the kind of respect that school teachers once earned and maintained.

Yet stripping away these unnatural features of today's school environment is virtually impossible in the areas where change is most needed, because of powerful teachers' unions and vested political interests. Murray argues, therefore, for a voucher system, so that parents would have choice and the educational establishment would have strict accountability.

Readers neither blessed nor cursed by economic training may not put Murray's happiness approach in the touchy-feely category. But regardless of what one thinks of this approach, it is clear that Charles Murray has made a very important contribution to the public policy debate. *In Pursuit* is well worth reading.

Contributing Editor Walter E. Williams, the John M. Olin Distinguished Professor of Economics at George Mason University, is the author of The State Against Blacks.

Hustler or Hero?

by Michael McMenamin

The Predator's Ball: How the Junk Bond Machine Staked the Corporate Raiders by Connie Bruck
New York: Simon and Schuster, 385 pages, $19.95

Michael Milken of the investment banking firm Drexel Burnham Lambert is a legend in his own time, a certified financial genius, nearly a billionaire, and considered by many the architect of the corporate takeover wars of the 1980s. He is 42 years old.

In *The Predator's Ball*, Connie Bruck, a senior reporter for *The American Lawyer*, has written the first installment of what is essentially a biography of Milken—his modest origins and his meteoric rise to the top. Bruck is candidly ambivalent about her subject. She claims that when she set out to write the book, her "sympathies were more toward Milken and his band of renegades than toward the corporate establishment they were attacking." Yet, at a key point in the book, she piously intones that if "Milken's...actions are not worth prosecuting, then the securities laws were not worth passing." Bruck may have a good point about the securities laws even if it is not the one she intended. For she concedes in the preceding paragraph that seen separately, Milken's actions amounted to trivial violations of the securities laws.

The portrait of Milken that emerges in Bruck's book is impressive regardless of how one views the securities laws. Milken was personally responsible in his 20s for putting to the test an obscure academic thesis developed by W. Braddock Hickman—that a broad-based portfolio of below-investment-grade, high-yield bonds will be, over the long run, a higher-yielding investment than a similar portfolio of investment-grade bonds. Acting on this thesis, Milken literally created an active trading market during the 1970s in high-yield "junk" bonds that previously had been only lightly traded, most of them simply being held until maturity.

In the process, Milken became immensely wealthy. His personal assets, according to Bruck, were in the $25- to $50-million range by mid-1978 when he left Wall Street to open a Los Angeles branch for Drexel Burnham. Milken was only 31 years old, and his self-initiated move was not popular at Drexel. But as his old boss told Bruck, "What could we do? Milken was making one hundred percent of the firm's profits."

In the next few years after moving to Los Angeles, Milken went beyond trading and pioneered the issuance of high-yield bonds to finance growing businesses that would not qualify for an investment-grade rating and would otherwise be denied access to the public-debt market. More importantly, however, Milken and Drexel used junk bonds to finance hostile corporate takeovers and leveraged buy-outs (LBOs).

The results were startling. The new-issue market in junk bonds was $1.3 billion in 1981. By 1986, it was $32.4 billion, with the lion's share belonging to Drexel. And, in the process, Milken transformed the face of the corporate establishment. Not only did his junk bond–financed LBOs "bring the owner-manager back to American business," Bruck writes, but they also dramatically accelerated "the trend toward restructuring, as once-placid managements hastened to take measures—such as selling low-earning assets, pruning work forces,

renegotiating labor contracts, closing hundreds of older, outmoded plants—before others did it for them."

Milken's life story to date is a paradigm of what free markets are all about; of how capitalism is, as Peter Berger describes in *The Capitalist Revolution*, "a force of cataclysmic transformation." Bruck appears at times to have a glimmer of this and obviously admires Milken when she describes some of the influences that shaped his career—from his days at Wharton where he "was made fun of by his pipe-smoking Ivy League classmates," to his early times at Drexel where "he was the Jew at the blueblood [firm] segregated off in a corner of the trading floor," to his 1983 claim at a meeting of investment bankers and lawyers that he could raise $4-5 billion for T. Boone Pickens's attempt to take over Gulf Oil, a claim that "was greeted by snickers from the...aristocrats of the Street."

Bruck recounts a favorite story of Milken's about a fatuous Wharton graduate with a prep school and Ivy League background who, at the tender age of 29, addressed Milken and other Wharton students on the secrets of his success, telling them he was now worth $30 million. Milken's punch line is that the young twit had inherited $50 million when he was 25. As Bruck observes:

"The moral, of course, was that however impressive appearances might be, it was not birth, not a prestige education, and not inherited wealth that counted at the continuing, year-after-year bottom line, but performance. Nothing else. Milken resolved to outperform them all.

"And for him, high-yielding bonds were a custom-made vehicle. They were the outcasts and misfits of the securities world, disdained by the rating agencies and the establishment, many of them victims of misconceptions. In that gap between perception and reality, as Milken liked to say, there was money to be made."

Bruck illustrates other admirable qualities of Milken's. While possessed of an enormous ego, he fosters a team spirit among his employees. He has long refused to have his picture in Drexel's annual report; he has no office, only a centrally located desk on the trading floor; he has no fancy title, and neither do his people; and he works incredibly long hours and expects none of his people to work as hard as he does. Asked for an explanation, he told Bruck to "watch the movie *Gandhi*. It is harder to motivate people if you are in a limousine and others are walking barefoot."

These attributes extend to Milken's personal life, as well. He speaks with pride of the low divorce rate of the people who work for him. He is married to his high school sweetheart and they live in Southern California's San Fernando Valley near where they both grew up. His mother, brother, and cousin live nearby. As Bruck observes: "Milken speaks often about the importance of remembering one's roots....Unlike some powerful individuals who assiduously remold themselves in the course of their ascent, Milken made no such effort."

Yet her overall assessment of Milken and his accomplishments is negative. So where does Bruck go wrong? Part of it may be personal. She claims that the publicity-shy Milken attempted in 1986 to pay her *not* to write her book. He may have been kidding, but Bruck doesn't think so. Her book, however, is too honest in its factual portrayal of Milken's attributes and accomplishments for such a pat explanation.

A better answer is that Bruck became so mesmerized by the intricate details of Milken's deals that she abandoned her initial perspective. While accurately describing the trees of Milken's accomplishments, she is lost in the forest. And unfortunately, her conclusion gives far more weight to the weeds of securities regulations. Yet the book obviously spends much more time on the

Michael Milken: The government's persecution of him is a national scandal.

trees than it does on the weeds. This is good, because the weeds are boring and inexplicable to the layman anyway. As a consequence, however, one finishes the book with a strong feeling that Bruck has not made her case against Milken.

She does little to explain and less to justify the complex field of securities regulations and the "trivial" violations she believes Milken committed. In the process, she has effectively ignored what will prove to be a much bigger and more important story about Michael Milken than his spectacular achievements in the world of high finance at such a young age. That story is the persecution of Milken by the federal government, and it is a national scandal.

The feds have been after Milken for years. The Securities and Exchange Commission conducted at least three formal investigations of Milken in the 1980s prior to the Ivan Boesky scandal. No charges were ever filed. After Boesky began cooperating with the SEC in 1986, the feds opened their fourth investigation of Milken and began taping Boesky's telephone calls.

While the SEC would never confirm a detail like this,

Milken deserves a writer more sensitive to civil liberties and free markets.

you can be sure Milken was high on Boesky's and the SEC's list of calls. And you can be just as sure that any such calls did not directly implicate Milken in Boesky's fraudulent conduct, because the SEC did not file any insider trading charges against Milken until September 1988, nearly two years after they got Boesky. While the charges made headlines, nothing in them will come as a surprise to readers of *The Predator's Ball*. The SEC's charges, taken individually are small potatoes. Congress has been no better. There has never been a legislative definition of insider trading, and John Dingell (D-Mich.), of the relevant House subcommittee, wants to keep it that way, despite two Supreme Court decisions slapping down the SEC for exceeding its authority in this area. In April 1988, in a performance worthy of the late Sen. Joe McCarthy, Dingell forced Milken to appear before his subcommittee even though he had been advised that Milken, as a target of a criminal investigation, would refuse to answer questions on Fifth Amendment grounds.

Dingell is not the only one treating Milken as if he were a mafia chieftain. The biggest offender is Rudolph Giuliani, the U.S. Attorney in Manhattan who has demonstrated a Captain Ahab–like zealotry in his pursuit of Milken and Drexel.

Giuliani and the feds obviously consider Milken a bigger fish than Boesky. But why? Boesky was a big-time crook who made a lot of money by illegally buying inside information from takeover lawyers and investment bankers—sometimes paying them off with briefcases full of cash. Even Milken's detractors—like Connie Bruck—concede that any alleged securities violations by Milken are comparatively minor. The answer, of course, is that Giuliani is after Milken precisely because Milken has been so successful.

In essence, Giuliani is using "mafia rules" against Milken and Drexel—criminalize any technical violation of the law you can find in order to put these dangerous people away. So what if it is only the securities-law equivalent of littering the sidewalk? It probably was a *conspiracy* to litter, and they undoubtedly used mail and the phones to advance the conspiracy. It is a technique the feds have been using with varying degrees of success since the 1930s when they got Al Capone for income tax evasion.

This may be an acceptable way to go after thugs who make their living at the point of a gun. But Milken doesn't make money with a gun, and he didn't use one to transform the face of corporate America in the 1980s, returning value to shareholders instead of entrenched management. Yet Giuliani is trying to use federal racketeering laws against the securities industry in an effort to get Milken and intimidate others into testifying against him and Drexel. Congress never envisioned such a use of the racketeering laws, but that doesn't bother Giuliani. Further fame and glory await him—for all his reputation as a scourge of Wall Street, Giuliani has still to try his first insider trading case. Milken will give him that chance. Milken can certainly afford to spend millions for defense against both the SEC and Giuliani. And he will. But why should he have to, and why doesn't Connie Bruck care? Guiliani has been so openly ambitious for higher political office for so long and he is so avidly intent on empire building—increasing the number of securities fraud lawyers from 6 to 17 in the last two years alone—that it is difficult not to feel some sympathy for the Great White Whale in this story. When the next installment of his biography is written—and it will be—Milken deserves a writer more sensitive to civil liberties and free markets.

Contributing Editor Michael McMenamin is an attorney in Cleveland. He wrote the article on insider trading that appeared in the October 1988 issue of REASON.

Missing the '60s

by Lynn Scarlett, with Jim Trotter

Mount Shasta loomed ahead. I stood there in the middle of nowhere, thumb out, heading to Berkeley. Time to bail out.

Moments before, I had bounced along in a home-built van—a cumbersome pile of two-by-fours bolted atop an old VW flatbed truck. I had planned to buy land with friends, raise goats, eat brown rice, and forge a future in communal bliss.

But bliss eluded us. Some tiff or another welled up. The muckamuck of the group, an ex-professor and antiwar-movement celebrity, counseled repentance. We all needed, he intoned, a little Maoist self-criticism to purge us of our bourgeois mentality. Problem was, I didn't feel guilty about who I was. And I was sure the

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But for all these books have to offer, there is still something missing. In an essay in Bunzel's book, Joseph Epstein opines: "The sixties, I have come to believe, are something of a political Rorschach test. Tell me what you think of that period and I shall tell you what your politics are. Tell me that you think the period both good and bad, with much to be said for and against it, and you are, whether you know it or not, a liberal. Tell me that you think the sixties a banner time for American life...and you are doubtless a radical....Tell me that you think the sixties a time of horrendous dislocation, a disaster nearly averted...and I shall tell you—well, I am not sure what you are precisely, but your views, friend, are close to mine and I am pleased to meet you." (He means, of course, that you are a conservative or a neoconservative or something along those lines.)

Epstein is wrong. He is wrong because he makes the same error that Hayden, Gitlin, Miller, and other New Left spokespersons make. It is the error of focusing on the exceptional and mistaking it for the rule.

Epstein thinks the '60s was a sorry time, a blight, a pox on American history, because he doesn't like socialism nor the drug-besotted, middle-aged dropouts now lingering in Haight-Ashbury. Of this scraggly crowd, he muses, "What you do with your own life is your own business, but I'm awfully glad that, in the battle of competing visions, yours lost."

But what vision is he talking about? Leftist ideology and libertine culture were not widely representative features of the '60s. Huey Newton and Tim Leary may have made headlines, but their views and their actions did not epitomize the '60s. Antiwar sentiment was widespread; anti-Americanism was not. Drug use was widespread; drug abuse was not.

The vision Epstein detests is a mythical one conjured up by giving importance to headlines rather than reality; to media-makers rather than the oft-invoked, but usually misconstrued, masses. Mythical vision in hand, Epstein then concludes that if you thought the '60s were part good, part bad you must be a liberal. You must be a liberal (but not a radical) because, presumably, you disliked the episodes of violence, thought Charles Manson a pariah, and the Weathermen antiheros. At the same time, you liked Martin Luther King, Tom Hayden (or at least Joan Baez), and Ralph Nader.

Days of Rage: *The Bank of America, burned in riots in the student community around the University of California, Santa Barbara*

There is, however, another way to read the '60s that permits nonliberals to find good and bad in those turbulent years by recognizing something left out of Epstein's vision. It is this missing history that New Left chroniclers of the '60s, like their counterparts among many "second thoughts" conservatives, cannot see because both are too preoccupied with politics and elites.

An obsession with political power as the wellspring of meaningful living—a dusty inheritance from the Old Left—is at the root of all that was wrong about New Left ideology. It is also the cause for much misplaced analysis by Hayden, Gitlin, and especially Miller.

New Left ideology, drawing heavily from sociologist C. Wright Mills, assumed that political power is the key to personal happiness, to personal power over one's own life. As Gitlin describes, "the centrality of the *res publica*, the public thing, took the form of insisting the personal was political—that power was present in every aspect of everyday life, from housework to homework." So too was politics perceived as the great forger of community ties: "Politics," wrote Hayden in the *Port Huron Statement*, "has the function of bringing people out of isolation and into community."

The New Left drew heavily from Rousseau, as well. Like Rousseau, they viewed man as perfectible and believed in his infinite capabilities, through politics, to engineer a more perfect world. They played up the role of the intellectual—and of rational planning—to direct human affairs, neglecting the knowledge of experience, tradition, and what F. A. Hayek has so brilliantly described as spontaneous order.

This emphasis had consequences. On the one hand, the New Left vociferously opposed "big government." On the other hand, by wanting a society in which everything flowed from politics, they *prescribed* a world of big government. Walter Lippman hit the nail on the head when he protested this view, warning that "the false ideal of democracy...can only lead to disillusionment and to meddlesome tyranny limiting individual freedom."

In retrospect, Hayden and Gitlin, though not Miller, sense this problem. For Hayden, the dilemma became a personal one: "We had become isolated, self-enclosed in a universe of political rather than human life. In this sealed universe, social relationships were centered within organization, language turned to jargon, disputes were elevated to doctrinal heights."

But although Hayden and Gitlin intermittently acknowledge the pitfalls of their vision of politics as preeminent, for the most part they remain locked into this paradigm—a paradigm impoverished by failure to understand even the basic workings of a decentralized society and economy. The result is a historical account that is overwhelmingly elitist—and radically wrong. They are wrong about the mainstream of the world they inhabited in the 1960s. They are wrong about their contemporary protagonists in the counterculture and antiwar movement of the '60s. And they are dead wrong about economics.

The New Left, seeing political action and public decisions as the only ones that count, wrote off their parents as unthinking "cheerful robots"—a phrase borrowed from C. Wright Mills. Miller, parroting

Mills's assessment, describes Americans as "a herd of blank drones drifting vacantly through the shopping malls of America." And Hayden describes a similar American, "going about business as usual while denying the existence of pervasive and threatening evils."

This view of middle America is a direct consequence of perceiving politics as the only fount of meaningful decision-making. It never occurred to New Left thinkers (and still seems only vaguely realized by them now) that people in the '50s *were* making important decisions about their lives. This had been a time of opportunity and choice after a decade of depression followed by a decade of war.

The economic prosperity of the '50s opened up the doors for many to move out of the cities and into homes in the suburbs in search of better lives. And it was a time of burgeoning community ties through voluntary organizations. People were making decisions about their lives. They just weren't making the decisions the New Left *wanted* them to make.

Nowhere was this more evident than among the poor, who were, according to New Left mythology, the most dispossessed and powerless (along with students). "We did not anticipate," Hayden wryly admits, "that the oppressed in whose name we spoke would want to enter the middle-class world we were rejecting." Many of America's poor, including blacks in the South, were busy working, however menial the job, because they saw work, not political action, as the path to personal empowerment.

It didn't occur to the New Left that American affluence resulted from the productive efforts of entrepreneurs, workers, investors—big and small—making choices and responding to opportunities. Instead, caught up in Marx's misconceived world of elites and masses, they imagined that wealth is just simply out there. All one needs is a bit of political power in order to divvy that wealth up as the enlightened see fit. They saw no connection between economic freedom and the wealth they observed around them.

Which brings me to the missing history. Though the New Left did not understand that political power cannot bring personal empowerment, many in the so-called youth movement did.

The New Left was always a small minority in the '60s, trying to fit slogans onto a movement that had its own dynamic. Ironically, however, their most widely circulated document, the *Port Huron Statement*, captured the essence of the era when it underlined the importance of human independence, of finding "a meaning in life that is personally authentic."

There is ample evidence of this individualism, this personal pursuit of happiness (and not in the hedonistic sense), in the '60s. It is evident in the popularity of the *Whole Earth Catalog*, with its panoply of tools for self-sufficiency. It is evident in the back-to-the-land movement, the resurgence of handicrafts, the human potential movement, the withdrawal from party politics, the growing self-confidence of gays and women, and the healthy skepticism of authority. It is evident in the personal sagas of writers such as Julius Lester and Martha Bayles in *Political Passages*.

P. J. O'Rourke rightly satirizes the excesses and absurdities of some of these pursuits. And "second thoughts" chroniclers rightly point out that socialist mumbo-jumbo got mixed in with the personal striving. But, on the whole, the search for "personal authenticity" turned into productive activities that have endured.

The surge in entrepreneurship in the '80s is a legacy of the '60s. The '60s was, after all, an era of doers. That same group of baby boomers who grew their hair long, demonstrated, and meditated is now described as economically conservative and socially liberal—in short, they value economic and personal freedom.

The New Left overlooks this legacy because it is still caught up in a description of the world borrowed from Rousseau and, consciously or otherwise, Karl Marx. The second-thoughts contingent of remade conservatives overlooks it because they, too, think the '60s *was* the New Left (and drug-crazed drop-outs). Lawrence Wright, more of a regular guy, comes closest to conveying what the '60s was really all about. The missing history, the tale not told in New Left or second-thoughts reminiscences, is the story of the silent (and not-so-silent), productive majority in pursuit of independence.

Book Review Editor Lynn Scarlett is also director of research at the Reason Foundation. Her husband, Jim Trotter, is a businessman and a former internal critic of SDS.

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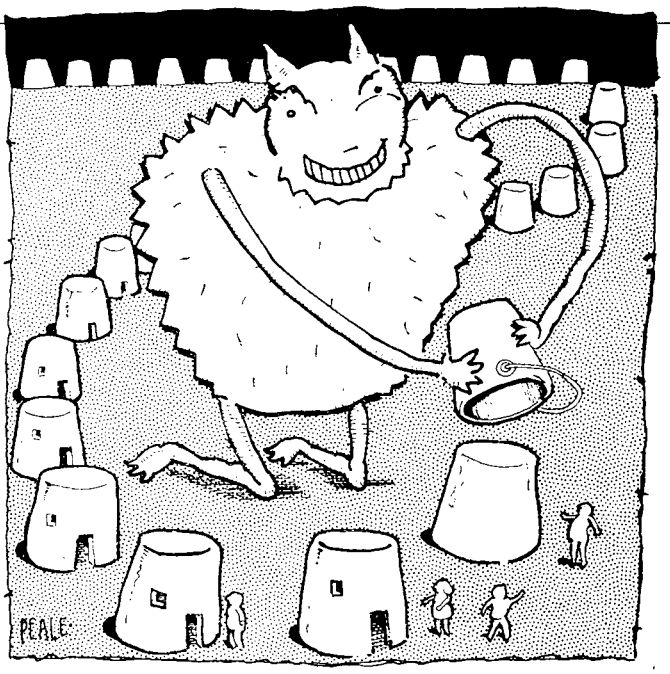
BY FRANK WILNER



This is a tale about a backyard deck and a handful of unelected social mechanics in Alexandria, Virginia. The deck is mine. The social mechanics—sitting on a Board of Architectural Review—were appointed by city council. The BAR wants me to tear down my deck.

Not because it's plastered with racial epithets or obscenities. It isn't. And it's constructed of high-quality, pressure-treated timber. It sits only inches off the ground, is 12 feet by 12 feet, has a 4-foot side railing, is unpainted, and is about as obvious as a shy person in a crowd. And it isn't that the deck is unsafe. An inspector from the engineering department of the City of Alexandria stamped it "sound."

No, the social mechanics want me to tear down my deck because I didn't give them the opportunity to determine whether it conforms to aesthetic standards. Conforms? Is its nose too large? Is its skin black or olive? Does it speak with an accent? Does it worship a "different" god in a "different" way on a "different" day?

The deck is in my back yard and mostly hidden from view. It's there for my family's relaxation. But, by gosh, if you peer through some holes in my fence you can see it! That's precisely what I was told by a job-market desperado calling himself a full-time staff member of the BAR. He said that unless I built a new fence, higher and opaque, to hide the deck, then it would have to go. What the BAR wants in Alexandria are aesthetically conforming decks—and, most likely, residents with white skin, blue eyes, and membership in a Protestant church.

Oh. The job-market desperado told me one other thing. Before I could build the fence to thoroughly hide the deck, he and the BAR would have to approve the fence plans—scale drawings, dimensions, samples of material, 10 copies of everything plus a multipart form to the board, written notification to each of my neighbors of my intent, and my appearance at a public hearing. Of course, I could forget the fence if I wished to submit my deck aesthetics to the same process.

And what if I choose to ignore this patently absurd nonsense? "The city" will come out, tear down the deck under its police power, and bill me. If I resist, the police will consider it a barricade situation and act accordingly. So much for being secure in your own home in Alexandria, Virginia. So much for the phrases in our Constitution's preamble: "Establish justice,...insure domestic tranquillity,...secure the blessings of liberty."

How can it be that this colonial city—where George Washington and other sons of liberty slept and ate—is so intolerant? Why are representatives of the Board of Architectural Review snooping around private back yards?

Years ago, Alexandria city officials—at the behest of merchants, developers, and real estate agents, all anxious to reproduce "colonial charm" so as to attract tourists and increase property values—created a historical district in Alexandria. Indeed, some of the homes in the district do date to colonial times. As with designer clothing, they carry plaques attesting to pedigree—and outrageous prices. Any exterior activity, from the painting of window trim to the repair of exterior steps, must be approved by the BAR out of fear that the product might be clipped, sweated, or melted as with gold coins. Never mind that the owners of private property have the greatest incentive to protect value. The colonial architecture of Alexandria, Virginia, is just too important to be trusted to its taxpaying private plebes.

Well, George Washington didn't sleep in my house. Until Allied troops—in defense of liberty—hit the shores of Normandy, a brickyard stood on the land. Indeed, the only thing historic about my neighborhood is my neighbor, Charlie Sampson, a delightful chap who long ago retired as city fire chief.

Nonetheless, in the dead of night—a convenient time to raise taxes and deal with other contentious issues—the Alexandria city fathers extended the historic area to include my not-so-old neighborhood. They even included Interstate 95, which passes nearby. Now those bureaucrats at the Federal Highway Administration up the road in Washington may never pay heed to the BAR when it comes time to repave I-95 through Alexandria. But my situation is more delicate.

I don't have unlimited resources called taxing power. I can't fight City Hall. The cost of an attorney to pursue this issue is prohibitive. So there I sit—temporarily—on my backyard deck, the focus of an unelected vigilante group that wishes to remake more and more of Alexandria in its own image.

And all the while I see a city bureaucrat's beady eyes struggling to spy through a hole in my fence and pass judgment on the aesthetic conformity of my backyard deck.

Mama, load the shotgun.

Frank Wilner is a transportation economist who often suffers apoplexy at the sight of pompous bureaucrats.

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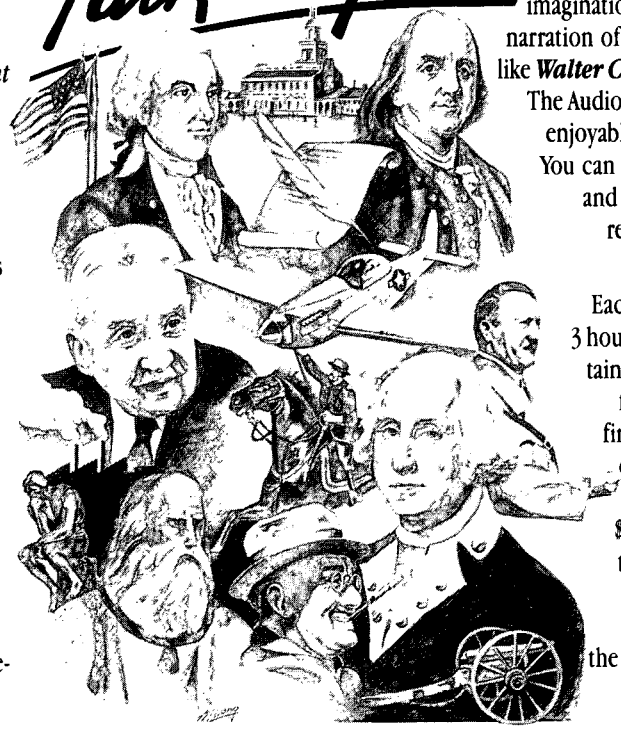

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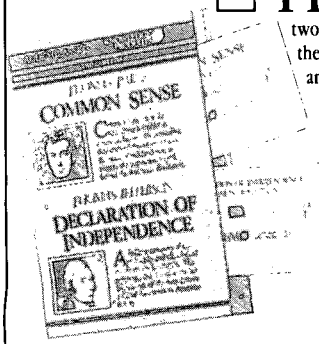

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FREEDOM FROM COMMUNISM?

BY ALVIN RABUSHKA

In their bestseller *Free to Choose*, Milton and Rose Friedman championed the idea of an economic bill of rights that would receive coequal constitutional stature with civil rights. It might include, they suggested, such provisions as tax and spending limits, guarantees of free international trade, and a prohibition on wage or price controls.

The closest the United States has come to the protections envisioned by the Friedmans have been the various constitutional amendments pushed, so far unsuccessfully, by such groups as the National Taxpayers Union and the National Tax Limitation Committee: to require a balanced budget, impose tax and spending limits (as a share of GNP), and give the president a line-item veto. To date, no Western constitution has ever incorporated a broad economic bill of rights designed to protect individual liberty.

Hong Kong: *Chinese Communists want to give it an economic bill of rights, but its capitalist leaders object.*

How ironic, then, that a Communist nation has now drafted the first economic bill of rights to be included in a written constitution! The People's Republic of China, one of the most totalitarian states in the world, has included in its tentative constitution for Hong Kong an economic bill of rights that encompasses many of the sweeping provisions outlined in *Free to Choose*. This bill of rights is contained in a document published in April, entitled the Draft Basic Law of the Hong Kong Special Administrative Region (HKSAR) of the People's Republic of China. More ironic still is that Hong Kong's capitalist leaders have by no means embraced the draft Basic Law's economic protections.

The Basic Law will serve as Hong Kong's miniconstitution when China resumes sovereignty over the British colony on July 1, 1997. To the best of my knowledge, the proposed Basic Law is unique among contemporary national constitutions in one respect: it enshrines both general principles and concrete policies to preserve individual economic freedom. It does so because Chinese Communist authorities recognize that the preservation of economic freedom in Hong Kong is critical to its continued stability and prosperity.

Toward that end, the Joint Declaration signed by the British and Chinese government in 1984 promises that China will allow Hong Kong to continue its capitalist way of life for 50 years after 1997. And Chinese leader Deng Xiaoping has advanced the novel doctrine of "one country, two systems": socialism on the mainland and capitalism in Hong Kong. Whether or not the Chinese later abide by the provisions they have set out in the Joint Declaration and the proposed Basic Law, they have at least explicitly recognized the importance of property rights and economic freedoms—which is more than can be said for many Western countries.

Perhaps the most fundamental individual economic right of all—that of private property—appears in Article 6 of the draft Basic Law's first chapter: "Rights of property ownership, including those related to acquisition, use, disposal, inheritance, and compensation for lawful take over [of property by the government] shall be protected by law. The compensation for lawful take over shall be corresponding to the real value of the property concerned, freely convertible and paid without undue delay." This means, for instance, that Hong Kong's residents would be free to buy and sell land as they wished and that the government could not nationalize property without paying full compensation.

As the above provision makes clear, however, private property flourishes only within the rule of law. Article 8 stipulates that the laws in force in Hong Kong, including the common law, customary law, and legislation, shall be maintained. This provision is particularly noteworthy since Hong Kong shares Britain's legal system and common law, which are especially concerned with safeguarding private property.

The drafters of the Basic Law, most of whom are mainland Chinese schooled in the socialist system, have also stipulated a set of economic provisions to restrict the scope and size of government. Again, these provisions arise from current Hong Kong policies.

Three principles have historically governed Hong Kong's public finances:

- first, that low rates of direct taxation stimulate work, saving, and investment, thereby fostering high rates of economic growth;
- second, that in Hong Kong's open economy deficit spending is inappropriate, since any increase in public spending can leak overseas—balanced budgets (erring on the side of surplus) are considered the norm of sound fiscal policy; and
- third, that the size of the public sector must be kept small to prevent it from crowding out the private sector.

Following these precedents, Article 107 stipulates that Hong Kong shall continue to practice a low tax policy; while no

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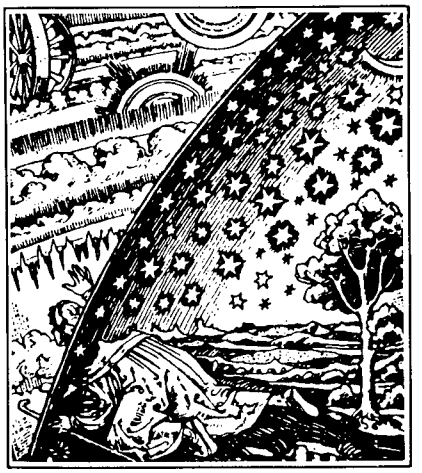

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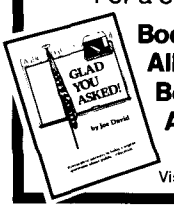

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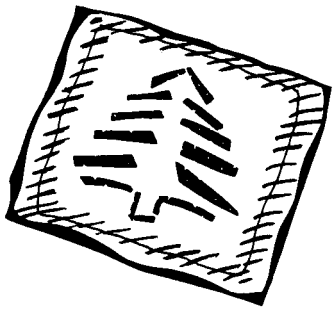
particular rate is specified, the policy of the last 50 years has been to keep taxes at 10-15 percent of personal income and about 17 percent of corporate profit. As a result, any expansion in public-sector spending must come either from the fruits of economic growth or by substituting spending in one program for another.

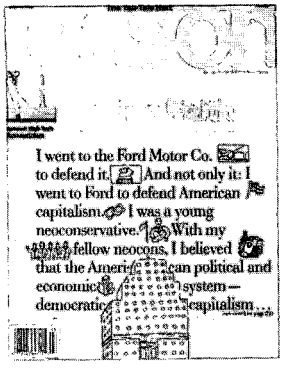
Article 105 further limits government spending by requiring revenues and expenditures to balance. And it stipulates that neither taxes nor spending shall grow faster than gross domestic product (GDP). Taken jointly, these provisions ensure low taxes, balanced budgets, and an effective limit on the growth of government. The creation and distribution of income is to remain in private hands.

Hong Kong is an international financial and banking center. Indeed, the financial services sector is the most rapidly growing part of its economy, contributing nearly one quarter of GDP. Under the draft Basic Law, Hong Kong is to remain a free market in money. Specific clauses prohibit exchange controls within the HKSAR, protect the free flow of capital within, into, and out of the region, and ensure free entry into financial businesses and financial markets. Interestingly, the draft Basic Law also guarantees a freely convertible Hong Kong currency—backed 100 percent by a reserve fund of foreign currency.

Other sections ensure free external and internal trade. The draft Basic Law calls for Hong Kong to remain a free port, true to its founding principles dating back to 1841. Specific articles state that the region shall continue to do business on the basis of external free trade and that the free movement of goods, intangible assets, and capital shall be maintained. Foreign investment shall be protected by law. And, while it is not part of the *economic* bill of rights, the draft Basic Law's human rights provisions guarantee Hong Kong residents the right to leave the territory, as well as to travel freely between the HKSAR and the mainland.

Finally, Hong Kong shall practice free and open policies regarding industry, commerce, and other trades. This provision is designed to ensure free entry into and exit from most lines of economic activity (save such regulated monopolies or licensed franchises as power, telephone, and transportation). These provisions require that prices remain unregulated and

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fellow neocons, I believed
that the Americ can political and
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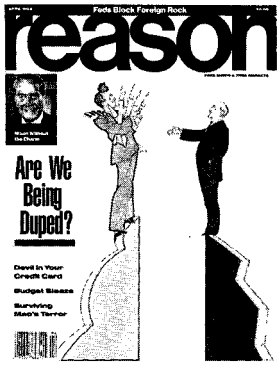

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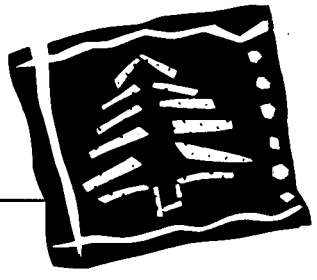

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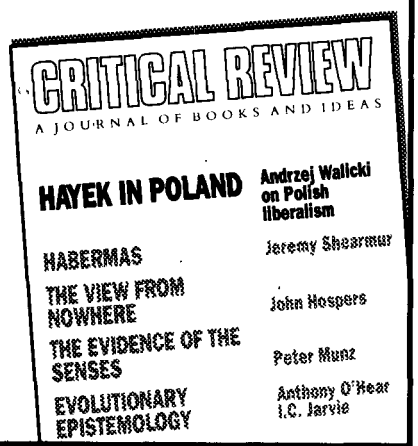

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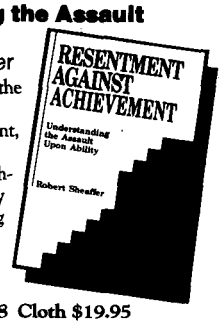

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that the price mechanism adjust supply with demand in both internal and external markets.

One would think that Hong Kong's public leaders would appreciate these attempts to protect the economic liberty of the territory's residents after 1997. But nothing could be further from the truth. Many of Hong Kong's politicians and intellectuals sharply criticize the draft Basic Law's economic provisions for venturing into policy rather than simply stating general principles. These criticisms reflect the tradition in which Western democracies have failed to give constitutional status to economic freedom.

Testifying before the British Parliament in July, Hong Kong's governor, Sir David Wilson, said that the drafters had gone beyond the Sino-British Joint Declaration in providing for a low-tax policy and balanced budget. Such provisions, he warned, would limit the flexibility of the future government. This charge is of course true if that government tries to undermine Hong Kong's capitalist system. But the drafters were in fact trying to guarantee the continuity of Hong Kong's public finances and limited government.

In general, Hong Kong's intellectuals have criticized the draft Basic Law on the grounds that a constitution should supply basic structures and procedures of representative government, along with guarantees of individual civil rights, but that the inclusion of specific economic liberties and policies is inappropriate. It is a curious twist of fate that Hong Kong's Western-educated and -oriented elites may throttle socialist China's attempt to incorporate an economic bill of rights into Hong Kong's miniconstitution.

Only time will tell if the final draft of Hong Kong's Basic Law will retain an economic bill of rights, omit it, or weaken it by relegating economic protections to a memorandum of understanding. And, of course, the effectiveness of any guarantees depends on the government's willingness to abide by them. But if China's socialist drafters retain an economic bill of rights, they will do so over the objections of those Hong Kong community leaders whose very rights these provisions are designed to protect.

Alvin Rabushka, a senior fellow at the Hoover Institution at Stanford University, is the author of four books and numerous articles on Hong Kong.

Television Gets Real

By Jane B. Hill

The Steadmans and their friends: *Given a chance, the characters of "thirtysomething" will reveal themselves with few false notes.*

Midway through its first season, "thirtysomething" (Tuesday, 10:00 P.M. EST, ABC) had reached a level of television mythos that allowed critics to label "The Wonder Years"—ABC's other good new show and an Emmy winner for Best Comedy—"twelvesomething." The network's promotional spots for "thirtysomething" repeated *Newsweek*'s assessment that it was the year's most talked about show.

What exactly is this phenomenon, with its cutesy e. e. cummings name, its unabashed yuppieness, and an Emmy for Best Drama?

Some have labeled it a blatant attempt to pander to the demographic *crème de la crème*, the same people who made the $2.00 chocolate chip cookie a staple of contemporary life. Others accuse the show's creators, Marshall Herskovitz and Edward Zwick, of confusing entertainment with documentary. Tired of hearing characters talk about their "needs," comedian Jay Leno reacted to the show with the question, "What about my needs? I'm looking for a little entertainment here."

In the opposite camp are critics such as Dan Wakefield, who says, "Watching 'thirtysomething' every week gives me the satisfied sensation of reading a good novel...'how it was with a group of people.' " In Wakefield's praise lies the paradox of "thirtysomething," for in an age of television, how many viewers know the pleasures of a good novel? How many want that sort of satisfaction, the kind that emerges slowly, over leisurely hours of thoughtful participation with character and plot and setting, not to mention the more mysterious qualities of fiction, such as tone and point of view?

Television drama has approached the high ground of good fiction before, most recently with "Hill Street Blues," "St. Elsewhere," and "L.A. Law." What makes "thirtysomething" different, and maybe better, is that the drama inherent in a police precinct, a hospital, a courtroom is not there. "Thirtysomething" takes the stuff of real life—marriage, children, work, friendship, family—and illuminates it in such a way as to reveal that these "small" things are, in fact, enormous in their import, their pleasures, and their pain.

Given the strongest lead-in ABC had to offer, "thirtysomething" began last season with an audience trained by "Moonlighting" to accept the experimental, even the bizarre. Fantasy and dream sequences take viewers into the psyches of the main characters, let us know what they really are, as much as any artifice can. The surprise is that what they really are is *us*. They are as close as television has come to presenting, week in and week out, "real" people (a label that certainly fits these fictional characters better than it fit the "ordinary" citizens exploited on the show called "Real People").

The characters who evoke this reality are a group of friends who live and work in Philadelphia. At the group's center are Michael and Hope Steadman (played by Ken Olin and Mel Harris). The Steadmans have have a daughter, Janie, who celebrates her first birthday near the end of the season. Michael, who once wanted to be a writer, now owns an ad agency, and Hope has postponed her career to stay at home with Janie.

Michael's partner in the agency is Elliott (Timothy Busfield), who is married to Nancy (Patricia Wettig). They have two children, Brittany and Ethan, and as the season progresses their 12-year marriage begins to unravel. Nancy, like Hope, has postponed her career—she is an artist—to be a full-time wife and mother.

The group also includes three single people: Ellyn (Polly Draper), Hope's best friend from childhood, who works for the city and lives in a rented apartment filled with rented furniture; Melissa (Melanie Mayron), Michael's cousin, a free-spirited photographer; and Gary (Peter Horton), Michael's best friend from college, a still–long-haired English Ph.D. seeking tenure. Melissa and Gary have been lovers, have not, slip once during the season and wind up in bed with each other, then retreat to their nonsexual friendship.

All the characters are about the business of trying to live adult lives when they aren't quite sure what that means or whether they qualify. Hope fears that Ellyn, who is already suspicious because

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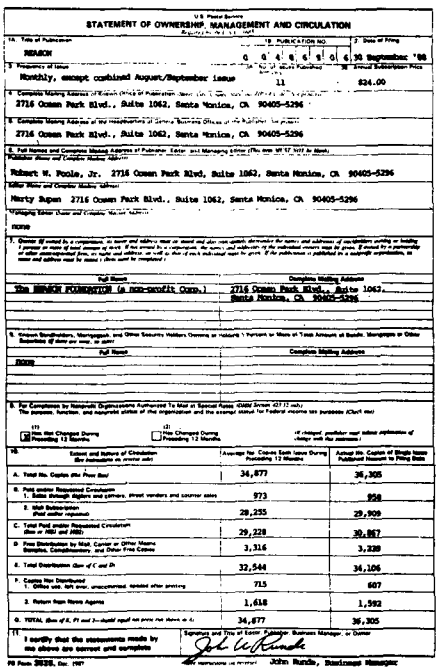

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Hope has abandoned her career, will lose all respect when she realizes that Hope, the homemaker, has no actual food in her freezer. When an old girlfriend comes to visit Michael, she takes in the house, the wife, and the baby and proclaims her amazement at this "real" life. Michael protests that it is only a convincing simulation.

Such moments are always presented with a healthy dose of irony. Hope knows Ellyn will always be her friend, whether she climbs the corporate ladder or fixes veal chops. Michael knows that Hope and Janie and their home *are* real life. But they feel self-conscious about their reality.

The problem with adulthood, according to Gary, is that it is "merely a pale extension of high school." The solidity that we all assumed would come with being grown up doesn't come. We feel no more settled than we did in high school; we know no more about what's really going on than we did then. When Michael complains that things haven't turned out the way they were supposed to, Gary says, "Give me a break" and cites the extraordinary number of things in the "real" world that happen even though they aren't supposed to. "Edwin Meese attorney general?" he offers as evidence.

The humor in "thirtysomething"—and the show abounds in humor—is like Gary's explanation of the unexpected. It's dry, sharp, intelligent, out of the traditions of Woody Allen and Garry Trudeau. When Ellyn dreads going to the gynecologist, Hope recommends her doctor, who is an old, unthreatening "Dr. Seuss with a speculum." When Michael wonders if he and Hope are getting boring, Elliott comforts him with the notion that he and Nancy, long past boring, are now "happily bored." When rudeness rears its ugly head, Hope protests that people should never be rude. They should talk about golf scores and drink highballs. Gary and Melissa once went to a Halloween party as Will and Ariel Durant.

But, without violating its essential tone or the integrity of its characters, the show also raises serious questions. When Michael fails on an ad campaign for the city, gotten through Ellyn's influence, he must face his fears about and disappointments in himself, as well as his insecurities about what friendships means. Ellyn is, after all, primarily Hope's friend. Was he using her? Can their relationship continue?

The pain of Gary and Melissa's difficult love for each other and of Elliott and Nancy's struggle either to be married or to move forward out of their relationship without harming their children or each other is almost palpable. Ellyn's doubts about love and sex—she hasn't had sex for over a year and is afraid something inside her will burst and frighten away any man she might want to love—and Gary's inner struggle as he faces rejection by his department's tenure committee go to the heart of the dilemmas that define how it is with this group of people.

One problem with the show's concept may be that the characters know each other so well from the beginning that viewers feel excluded. Patience will repair that, for given a chance the Steadmans and their friends will reveal themselves with few false notes and almost none of the hyberbole endemic to television.

Behind the up-to-the-minute references that the show casually tosses about—the characters read *Presumed Innocent* and shop at The Limited—lie ancient literary and philosophical traditions. Herskovitz and Zwick know Plato and Aristotle as well as they know Allen and Trudeau. The fundamentals on which "thirtysomething" is built are Aristotle's idea that art should mirror life and Plato's report of Socrates' belief that the unexamined life is not worth living. Obviously, this goes beyond the entertainment Jay Leno needs, but it does not preclude it. Another ancient premise of art, this one from Horace, acknowledges the necessity to instruct *and* delight."

With the Hill Street station gone, St. Elegius closed, and some of L.A.'s lawyers doing Maidenform commercials, those who ask more of the medium that has shaped the generation "thirtysomething" seeks to examine can only hope that the excellence of this show will be recognized by enough consumers of high-ticket designer cookies to keep it on the air. Even better would be that the folks who make "Moonlighting" would stay tuned and learn from their follow-up act how to get it right again. That would give ABC, of all people, the best back-to-back hours on television.

Jane B. Hill is an editor at Longstreet Press in Atlanta.

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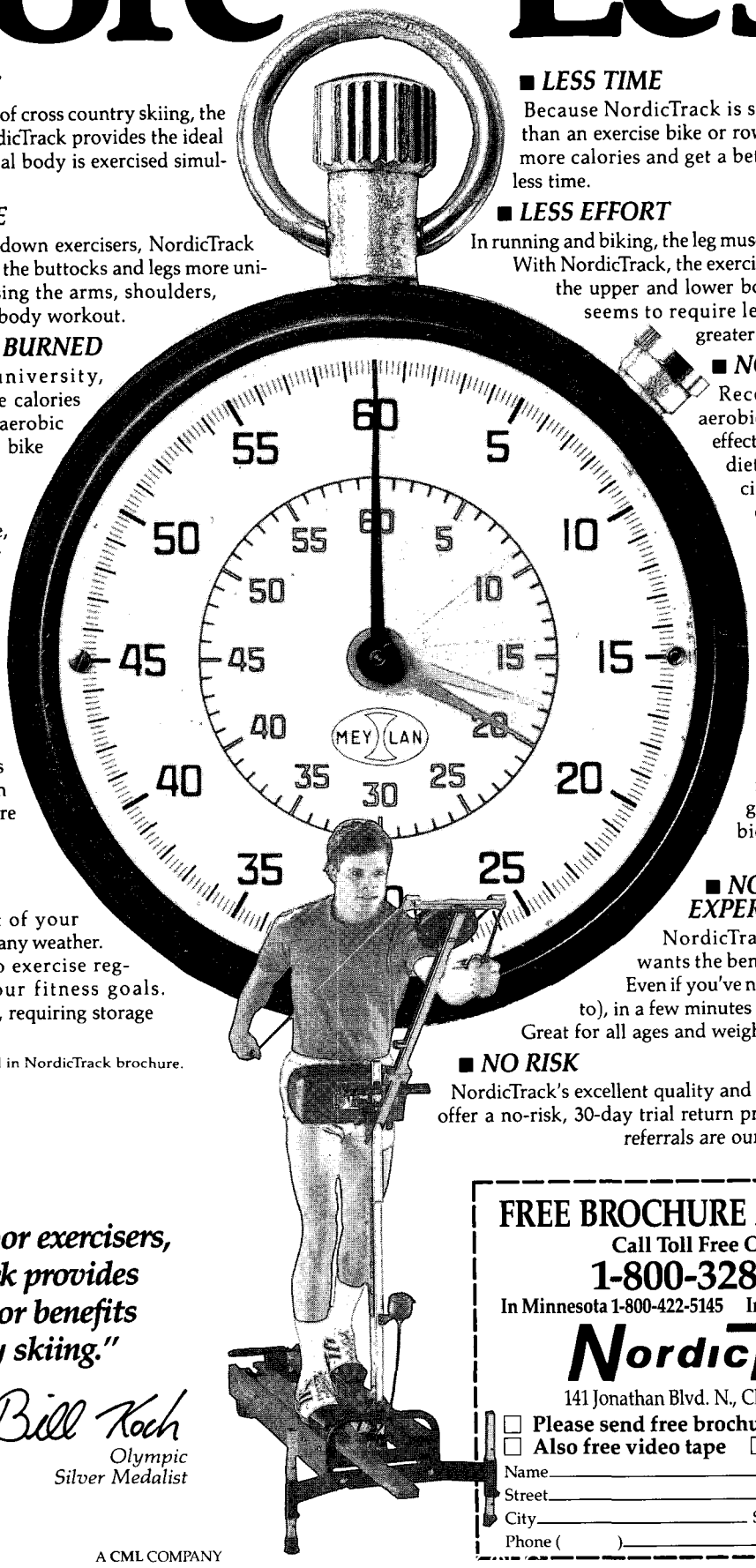

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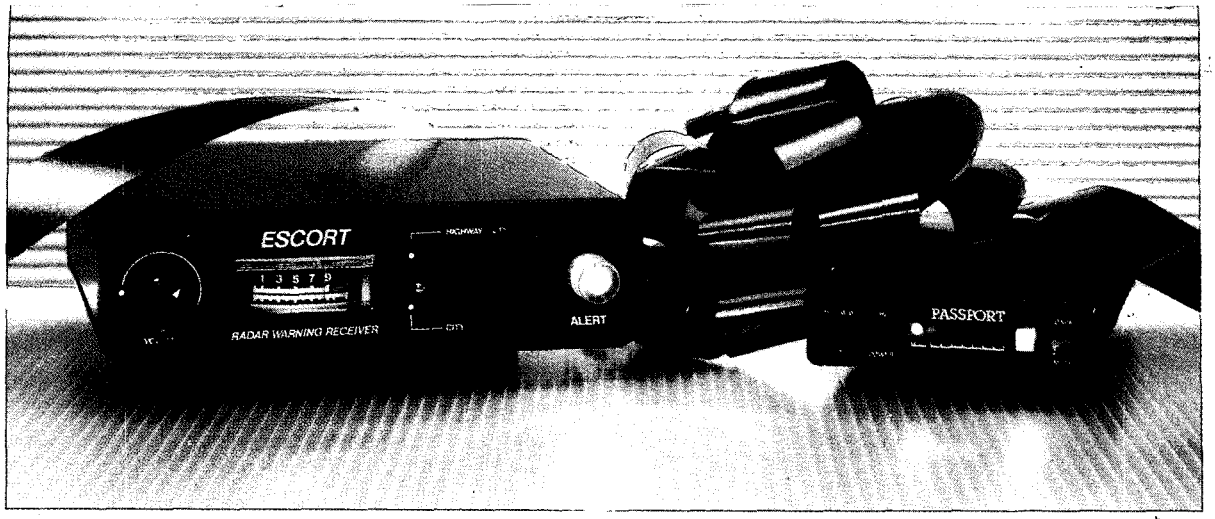

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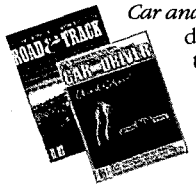

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